

## STATE PROFILE AND NEEDS ASSESSMENT

### Introduction

This section provides a statewide assessment of housing and community development needs for the 2005 – 2009 state of Washington Consolidated Plan. It is structured to examine the need for affordable housing based on an analysis of the supply, demand, condition and cost of housing and to review the many types of non-housing community development needs in Washington state from the physical development of infrastructure to support communities to public services addressing a host of social issues such as business attraction and retention, job training, crime prevention and childcare.

Our assessment relied on data from a variety of sources including the 2000 Census, trend analysis from the Office of Financial Management, studies from the Washington Center for Real Estate Research, data analysis from Columbia Legal Services, and other housing and community studies and reports. The assessment also incorporates the review of CTED's external environment completed for the development of CTED's 2005-2011 Strategic Plan. In addition, we considered input collected from a series of consultations and surveys of state agency staff, local governments, nonprofit organizations, public housing authorities, and other interested parties that identified high priority housing and community development needs.

### State Profile

#### Population

Washington's population of 5,894,121 in 2000 was the 15<sup>th</sup> largest in the nation. We grew rapidly during the preceding ten years when compared to the U.S. as a whole. As shown below, Washington's population grew 21.1 percent overall, compared to 13 percent for the nation. (See also Appendix Table A-1.)

**Table III-1: Population Growth 1990 - 2000**

	1990 Population	2000 Population	% Increase
Washington	4,866,692	5,894,121	21.1 %
U.S.	248,765,000	281,421,906	13.1 %

Source: U.S. 2000 Census

Based on Census 2000, 22.2 percent of the state's residents live east of the Cascades. This proportion has been relatively stable over the past ten years.

According to the Office of Financial Management (OFM) Washington's population in 2004 currently stands at 6,167,800. Our population more than doubled between 1960 and 2004. Over that period approximately 50 to 75 percent of the population change was due to net migration (in-migrants minus out-migrants) and the remainder due to natural increases (births minus deaths).

According to OFM, the majority of growth since 2000 remains concentrated in Western Washington with the largest gains including increases of 42,254 in King County, 32,882 in Pierce County, 31,476 in Snohomish County and 27,062 in Clark County.

The fastest-growing counties – in terms of percentage change – are: Franklin County (8.6 percent), Clark County (7.8 percent), Benton County (6.4 percent) and Kittitas County (5.5 percent). Three out of the four are counties east of the Cascades.

Until 2003, annual growth in Eastern Washington had not outpaced that in the West since 1996. This growth trend has shifted slightly and last year, Eastern Washington population grew 0.96 percent compared with 0.93 percent for the West.

The robust population growth of the 1990s and the high rates of in-migration fueled by Washington's booming economy have given way to a reduced economic climate in the state. While interest rates decreased significantly and remain low, unemployment has soared in Washington state and household income has remained flat.

Washington continues to grow, but at a much slower rate, reflecting the state's weak economy. Annual population estimates prepared by OFM showed the state's rate of growth dropping from about 1.5 percent in the late 1990s to a low of 0.9 percent in 2003. More recently however, the gain in 2004 increased to 1.1 percent.

Migration has always been driven by economic opportunity and is a major component of Washington's growth. OFM's chief demographer said this may be the beginning of a solid rebound – fostered by improved payroll employment figures in Washington since June 2003, and even faster improvements since January 2004.

The state forecast shows annual population growth slowly increasing from the current level of 69,500 to about 86,000 by 2010 or at annual growth of 1.3 percent. Population growth will really depend upon how fast Washington's economy recovers and how that recovery compares to what other states have to offer in terms of job opportunities. [Source: *OFM Press Release June 30, 2004*]

## Ethnicity

**Table III-2: Washington State Population by Race**

Race	Population	Percent
White only	4,821,823	81.8 %
Black or African American only	190,267	3.2 %
Persons of Hispanic or Latino origin	442,059	7.5 %
American Indian or Alaska Native only	93,301	1.6 %
Asian only	322,335	5.5 %
Native Hawaiian or Other Pacific Islander only	23,953	.4 %

Source: U.S. 2000 Census

When the Census 2000 data came out, there was a natural interest to look for changes and shifts in racial distribution. However, the data in 2000 are not exactly comparable to data collected in 1990 due to a change in 1997 when the federal Office of Management and Budget revised the existing Standards for the Classification of Federal Data on Race and Ethnicity. The two fundamental changes are: 1) The Pacific Islanders are separated from Asians, and 2) Respondents are allowed to mark more than one race. Therefore no attempt was made, for Consolidated Plan purposes, to try and examine changes in race and

ethnic distribution in the state. The state's OFM, however, has published trend information on state population growth by race and ethnicity that is useful to highlight for this plan.

- The race/ethnic composition of the population is projected to change in the future as the Black, Asian/Pacific Islander, Multiracial and Hispanic populations increase in proportion to the total population.
- The Hispanic population is the fastest growing among all the race/ethnic groups. Its population is expected to grow 150 percent, from 441,509 in 2000 to about 1,107,600 in 2030.
- The most rapidly growing racial group is the "two or more" race category, which may have an increase of 160 percent. Its population is projected to grow from 160,500 in 2000 to 419,500 in 2030.

### Poverty

**Table III-3: Washington Percent of Population in Poverty**

	1990	2000
Washington	10.9 %	10.6%

Source: U.S. 2000 Census

The statewide poverty rate for the total population displayed almost no change over the 1990s although the percent of people overall living in poverty in Washington state is lower than the nation as a whole. Nationally, there are 31.1 million poor or 11.3 percent of the population as compared to Washington's 10.6 percent. (See also Appendix Table A-2.)

### Changes for Families with Children:

The 1990s was the decade of the high-tech bubble as well as welfare reform. Public policy changes and economic structural shifts affected many families with children across the state. As a result, median family income increased 11.4 percent (in 1999 dollars) and the percent of families with children in poverty actually declined slightly, dropping from 13.7 percent to 13.3 percent and overall.

Female-headed families with children experienced the largest increase in family income of any family type, an increase of 31.5 percent, and the largest reduction in poverty. OFM reported that, over the decade, the percent of female-headed families with children in poverty dropped from 42.7 percent to 33.6 percent for an overall decline of 21.3 percent. The income structure also changed most dramatically for these families. They relied more on earnings and less on public assistance in 1999 than they did in 1989. [Source: *Research Brief No. 25 – 2000 Census: Family Income*]

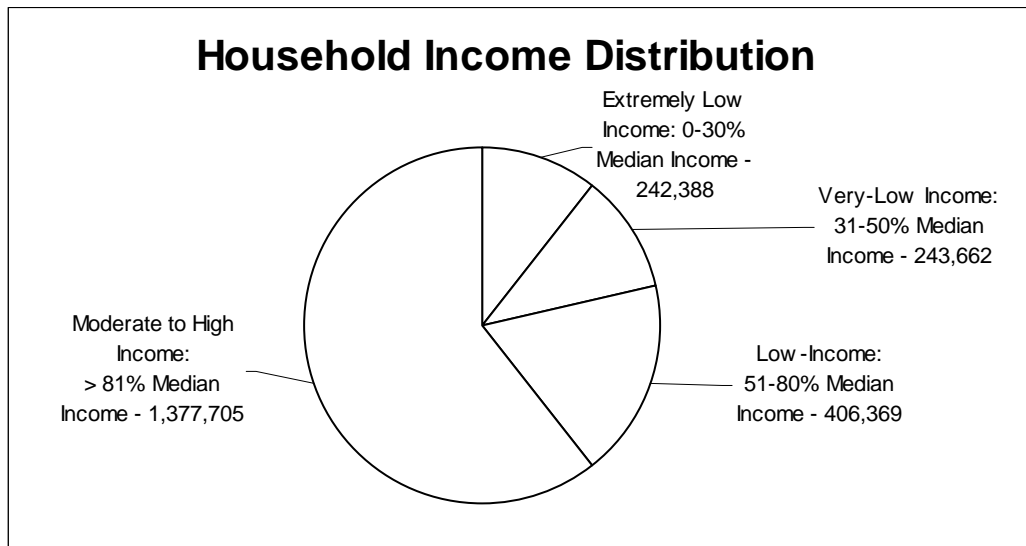
### Impact on Elderly

Washington's elderly population also showed a significant decline in poverty. In 1969, 23 percent of the elderly, more than one in five, lived in poverty. By 1999, following national trends, this percentage dropped to 7.5 percent. The decrease in poverty among persons age 65 and older is due to the expansion of Social Security and Medicare benefits and adjusting benefits for inflation. [Source: *Washington Trends Economy, Population, Budget Drivers, Revenue and Expenditures*]

### Income Distribution

43 percent of households in Washington State are “low-income”, meaning their incomes are below 80 percent of the median income of \$45,776 per year.

**Table III-4: Household Income Distribution**



Source: HUD CHAS Data Book

Of the 892,419 households with lower incomes, 242,388 households have “extremely low-incomes,” meaning their incomes are less than \$13,733 a year (less than 30 percent of median). Lower income households usually cannot find decent, affordable market rate housing without the assistance of public subsidies.

### Low- and Moderate-Income Communities

Using Census data, HUD calculates the percent of low- and moderate-income persons for every census tract, block group and local government. Low- and moderate-income is defined as 80 percent of the county median income. Based on HUD’s calculation of 1990 Census data, the populations of 59 CDBG non-entitlement jurisdictions in Washington State were at least 51 percent low- and moderate-income. This number rose to 78 CDBG non-entitlement jurisdictions, based on HUD’s calculation of 2000 Census data.

### Distressed Communities

The state of Washington, Employment Security Department (ESD) calculates a “distressed community” designation to assist in economic development planning and fund targeting. These communities are defined as counties with average unemployment rates for a three-year period that exceed the state average by 20 percent. Based on ESD data, 21 out of 39 counties in the state were considered “distressed” in the early 1990s, with unemployment rates ranging from 8.6 percent to 13.7 percent, and statewide unemployment averaging 6.8 percent for the same period. For the 2001 to 2003 period, the number of distressed counties decreased to 17, with unemployment rates ranging from 8.7 percent in Clark County to 14.8 percent in Klickitat County.

#### **Leading Customer Trends Impacting CTED**

According to CTED's 2005-2011 Strategic Plan, CTED's customers are extremely diverse in their ability to provide services to communities. The agency's ultimate customers are those citizens and businesses receiving CTED services. The success CTED has in meeting its mission and goals is reliant upon its partnership with a myriad local and regional organizations – economic and workforce development councils, community action agencies, local government, industry and business associations, housing authorities, ports, and hundreds of other non-profit groups. There is a continuing need for assistance from the state to increase local capacity to provide services – this is driven by:

- The increasing complexity of state and federal program requirements and the issues they are attempting to address;
- Different levels of available technology (e.g., access to email);
- Increasing demands for services from nonprofits and local governments;
- Increasing costs of health care;
- Declining resources and ability to raise revenues; and
- Decreasing availability of equity and lending capital.

Customer approaches to these challenges range from an expressed desire for more state assistance and involvement to an increased desire for local control in decision-making. There is a strong perception, especially from local government, that they are being asked to do more by the state without adequate funding.

CTED's approach in response to these needs and expectations is to:

- Continue to improve our delivery systems to be more efficient and cost-effective;
- Build partnerships that increase communication and trust, and leverage local and other state resources; and
- Coordinate with customers to communicate their needs to the Legislature, the Governor and Congress.

## Housing Assessment

The following information and data on housing needs and the housing market for the state as a whole, was collected from a variety of resources including the 2000 Census, HUD reports and research conducted by the Washington Center for Real Estate Research at Washington State University.

### Selected Occupied Housing Characteristics

In 2000 Washington state had 2,271,398 occupied housing units of which 64.6 percent were owner occupied and 26.2 renter occupied. (See also Appendix Table A-5.)

Of the households below poverty, households 65 of years and older tend to live in their own homes (26.2 percent) rather than a rental unit (11.4 percent). The renter-occupied units tend to be more overcrowded (15.2 percent) than owner-occupied units (8 percent). Almost 9,000 renter-occupied units had no telephone service as compared with 2,468 of owner-occupied units. (See also Appendix Table A-6.)

### Housing Condition

The 2000 Census reported out of 2,451,075 total housing units, 1 percent (approximately 24, 511) lacked complete plumbing facilities and 1.2 percent (approximately 29,413) lacked complete kitchen facilities.

Approximately 12 percent (306,384) were very old housing built in 1939 or earlier. Counties in which this older housing comprises more than a quarter of their total housing stock are:

Columbia	40.1%
Garfield	35.8%
Lincoln	29.8%
Whitman	25.2%

In contrast, counties in which new housing, built between 1990 and 2000, comprises 25 percent or more of their total housing stock are:

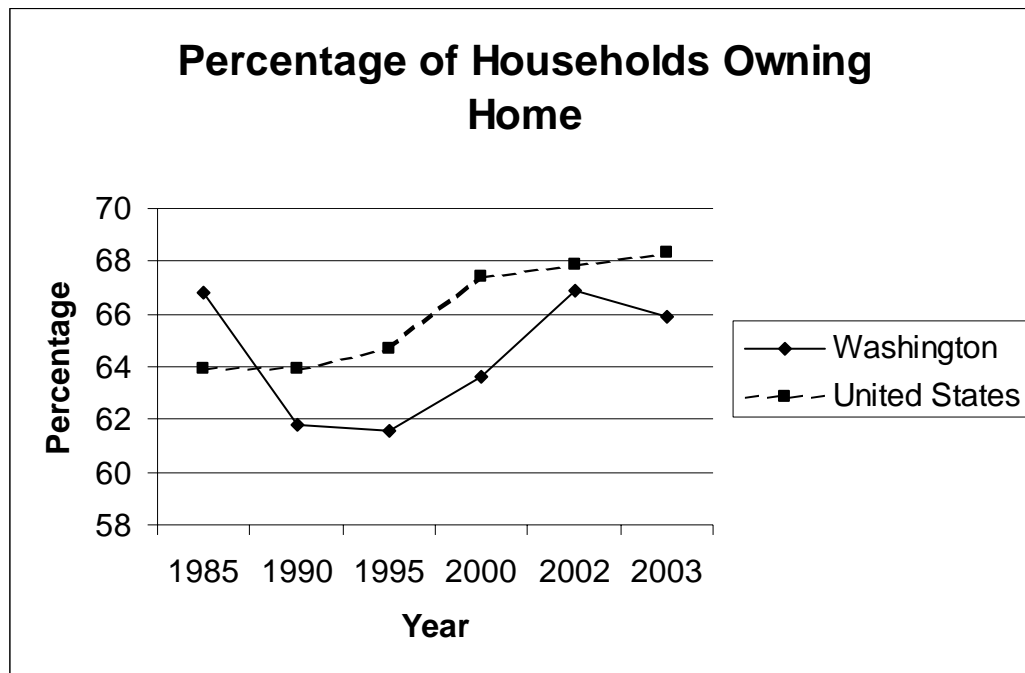
Clark	34.6%
San Juan	33.8%
Jefferson	30.5%
Snohomish	28.4%
Island	28.3%
Mason	28.3%
Thurston	27.7%
Whatcom	27.3%
Kitsap	26.3%
Skagit	25.8%

(See also Appendix Table A-7.)

#### Homeownership

In 2003 Washington's homeownership rate increased to 65.9 percent, however, it is still below the national average of 68.3 percent.

**Table III-5: Homeownership in Washington State**

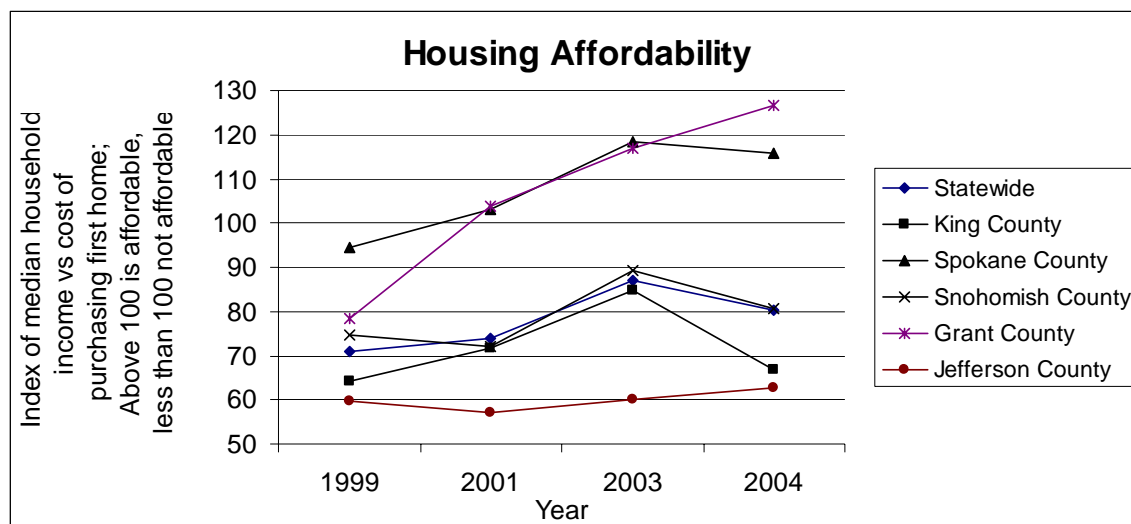


#### Homeownership Affordability

Table III-6 illustrates trends in WCRER's Housing Affordability Index for first time homebuyers, by selected geographic areas. The First-time Buyer Housing Affordability Index measures the ability of a household, with 70 percent of median income, to carry the mortgage payments on a median priced home. When the index is 100 there is a balance between the ability to pay and the cost of the home. Higher indexes indicate housing is more affordable as the family has more than enough income to comfortably cover principal and interest payments. The first-time buyer index assumes the home purchased by first-time buyers is 85 percent of the area's median price. All loans are assumed to be 30-year loans with a 10 percent down payment. It is assumed that 25 per cent of the household's income can be used for principal and interest payments.



**Table III-6: First-time Buyer Ability to Purchase Home**



Source: Washington Center for Real Estate Research/Washington State University.

Two major problems impacting homeownership in Washington are: 1) The high cost of housing means homeownership is out of reach for many homebuyers, especially first-time homebuyers; 2) There are significant barriers preventing minorities from purchasing homes.

In lower-cost areas, primarily outside urban cores, the purchase of a home by a median- to moderate-income household is generally attainable. The upward rising trend line in Table [number] for Spokane and Grant Counties indicates an increasing general affordability based upon the amount of income a first time home buyer has available to purchase a median priced home in those counties.

However, general affordability statewide is declining, as driven by the declining ability of first time homebuyers to purchase median priced housing in the state's western urban centers. (See also Appendix Table A-8.)

To illustrate the high cost issue, families wishing to purchase homes in King and San Juan counties face median house prices of over \$320,000. Mortgage payments on these homes are well in excess of funds available to low- to moderate-income borrowers. In King County, a typical first time homebuyer had just 67 percent of the income required to purchase and meet payments on a median price home. In Jefferson County, the situation is even worse, possibly because of the local market pressure resulting from resort and retirement driven demand.

Regarding minority households wishing to purchase a home, in 2002 the homeownership rate for minorities was only 49.4 percent, well below the state average of 67 percent.

Housing partnerships must continue to find creative ways to close the gap between those who can afford to buy their own home and those who cannot. Many underserved minority families will continue to have difficulties realizing their dream of homeownership so land as language, credit history and low-income prevents them from doing so. It will take a concerted effort to remove these roadblocks and close the minority affordability gap.



### Manufactured Housing

Manufactured housing fills a gap for affordable home ownership for primarily two groups of low to middle-income Washington residents: first time homebuyers (often new families) and retired senior citizens (often their final home). By the end of 1999 manufactured homes had increased to almost 12 percent of the total housing stock in Washington. An economic downturn for the manufactured housing industry began in late 1999 and continues today. Some experts believe that the market is stabilizing or slightly increasing due to pre-owned home sales.

Financing for manufactured homes is a challenge because they are not considered real property when they are purchased. Fannie Mae has been working with states to codify conversion to real property, which is complete in Washington State. Additional changes may allow for homes to bypass the licensing process if they are qualified as real property at the time of sale and installation.

A Fannie Mae program available in Washington State will allow financing up to \$333,700 for qualified borrowers purchasing a HUD code Manufactured Home to be placed on the borrower's real property. Freddie Mac has piloted land lease community programs in other Western states. If successful, Washington State may see community banks participate in this program, which allows mortgage financing of HUD code Manufactured Homes placed in long-term land lease communities (with the exception of tribal trust lands).

There are other critical issues facing potential and current owners of manufactured homes. Despite new legislation prohibiting local governments from discriminating against siting of a manufactured home, manufactured homes are still not accepted in many communities. Considerable work is needed with elected officials and communities to educate them regarding the quality of manufactured housing and the opportunities for provision of single-family affordable housing.

Another pressing problem involves those homeowners who live in mobile home parks that are facing imminent closure. These households own their dwelling, but lease the space for their home from a mobile home park owner. Park owners who no longer wish to operate a park find they can sell their property for re-development at a nice profit. As mobile home parks close across the state, there has been a critical need to help low-income homeowners relocate to other suitable property. The state's Mobile Home Relocation program has been operating since 1995, however, over the years CTED has identified major gaps between what low-income households need and what can be provided under the state's program. CTED has found that many manufactured housing community residents (a.k.a. mobile home park residents) abandon their homes, lose homeownership and enter the rental market. The unpredictable rate of park closures and the current cost of private land makes it difficult to estimate the total number of need, however, based on the average number of families relocated annually since 1995, at least 61 families would qualify for some type of additional assistance annually.

There is a clear need for additional assistance beyond the \$3,500 for a single-section home and \$7,000 for a multi-section that is allowable under the current relocation program. These costs do not include additional housing improvements that are often needed such as electrical system upgrades, site improvements, roof repairs, foundation repairs, etc. In addition, while state relocation assistance funds provide down payment assistance for the purchase of a higher quality home if the dislocated home is not relocatable and must be demolished, assistance is capped at the levels above, which are insufficient to cover the costs of home moving and rehabilitation, much less demolition of the existing home and a down payment on a new or pre-owned home.

### Rental Housing

According to Census 2000 data there are 804,413 rental housing units in Washington state. The following table illustrates the number of units by structure type. For example, there are 130,255 units in duplexes and fourplexes (2 to 4 units). (See also Appendix Table A-9.)

**Table III-7: Renter Occupied Housing Units in Washington**

Type of Structure	Number of Units	Percent of Total
Single-family	251,847	31%
2 – 4 units	130,255	16%
5+ units	383,705	48%
Mobile/other	38,606	5%
Total Units	804,413	100%

Source: Washington Center for Real Estate Research (WCRER)

In a market analysis, the Washington Center for Real Estate Research (WCRER) at Washington State University, found a total 46,275 one-bedroom and 39,168 two-bedroom/one-bath apartment units that were affordable for very low-income households, in the 23 select counties from which data was collected. (See also Appendix Table A-10.) Affordability guidelines for rental housing indicate that a low-income household should not be expected to pay more than 30 percent of its income on rent, including utilities (heat, water, sewer, electricity).

Although these 85,000 plus units may seem like a large number, the 2000 Census counted 486,050 households in Washington with incomes below 50 percent of median family income in 2000, painting a dismal picture of housing opportunities for these households.

More extreme circumstances face lower income households. The WCRER analysis only identified 543 units through the market-rate survey which would have been affordable to extremely low-income households – 109 one-bedroom and 434 two – bedroom units. Extremely low-income is defined as a household earning 30 percent or less of the median family income. Only eight counties out of the 23 surveyed had any affordable units for extremely low-income households. (See also Appendix Table A-11.) The 2000 Census counted 164,165 extremely low-income renter households statewide. The private sector falls far short of meeting the housing needs of extremely low-income residents of Washington state, providing affordable housing for only 0.3 percent of extremely low-income households.

#### Rental Housing Inventory –Publicly Financed

Since the private rental market offers limited opportunity for lower income households, it is clear that publicly-financed affordable housing is vitally important to the health, safety and welfare of Washington residents. This section reviews the current inventory of affordable housing financed by the state's Housing Trust Fund (HTF) and HOME programs.

#### Housing Trust Fund

CTED distributes its HTF and HOME resources through a bi-annual competitive application process that develops or preserves emergency shelter, supportive housing, farmworker housing, ownership housing and multi-family rental housing. (See also Appendix Table A-12.) The following illustrates the increase of affordable housing units, by household income, that was financed with state HTF resources.

**Table III-8: Housing Trust Fund Inventory**

Household Income Category	1999	2004	% Increase
<30% of MFI	3,633	5,795	59.5 %
31-50% of MFI	11,462	12,890	12.5 %
51-80% of MFI	3,514	5,587	59.0 %
<b>Total</b>	<b>18,609</b>	<b>24,272</b>	<b>30.4 %</b>

Source: CTED Database MFI=Median Family Income

From 1999 to 2004, the HTF added or preserved 5,663 affordable housing units to its inventory bringing the total affordable housing units to 24,272, that have HTF investments, for the state of Washington.

The following is a further breakdown of units that are designed to serve people who are homeless or households who have special needs, such as people with a mental illness or who suffer from drug addiction.

**Table III-9: Homeless and Supportive Housing Inventory**

Target Population	1999	2004	% Increase
Homeless (including Survivors of Domestic Violence)	3,310	4,042	22.1 %
Chronically Mentally Ill	841	948	12.7 %
Alcohol or Chemically Addicted	233	479	105.6 %
Developmentally Disabled	651	821	26.1 %
Elderly	398	559	40.4 %
Physically Disabled	140	178	27.1 %
HIV/AIDS	190	207	8.9 %

Source: CTED Database. These units are included in the HTF/HOME Inventory by Household Income category.

Looking at the HTF inventory as a whole, more than three-quarters (18,685) is affordable to households at 50 percent of MFI or below. Twenty-four percent is affordable to extremely low-income households, many of whom are homeless or in need of special services. (See also Appendix Table A-13.)

#### HOME

Looking solely at rental units using HOME funds, 242 or 9.1 percent of the rental units are affordable to extremely low-income households and 2,007 or 75.3 percent are affordable to very low-income households. (See also Appendix Table A-14.)

**Table III-10: HOME Rental Units**

HOME Rental by Income Category	1992 to July 2004	Percent of Total
0 – 30% MFI	242	9.1%
31 – 50% MFI	2,007	75.3%
51 – 80% MFI	404	15.14%
Total	2,653	100%

Source: CTED Database

In addition to CTED's affordable housing programs, other major sources of publicly financed affordable housing units include those financed by the Washington State Housing Finance Commission's (WSHFC) Low-Income Housing Tax Credits program, Bond Financed projects, USDA Rural Development, HUD-Assisted Public Housing, and the Section 8 Housing Choice Voucher program. Addressing affordability at the lower end of the income continuum requires the participation of many different types of organizations. Generally speaking, the public sector is much more directly active in subsidizing low-income needs, while tax incentives and other market devices are used to address affordability at the higher income levels.

#### Section 8 Housing Choice Voucher Program

The federal Housing Choice Voucher Program (Section 8) provided 42,851 low-income households with vouchers to help them pay for housing in 2003, at a cost of \$294 million in Washington State. The \$294 million in annual housing subsidies provided by the Section 8 Program represents a huge portion of the public subsidies to low-income housing in Washington State. The next largest public subsidy program, the state HTF, provides approximately \$40 million per year.

Households receiving vouchers nationally:

- Have an average income of \$10,000;
- Seventeen percent are headed by an elderly persons; and
- Twenty-two percent are headed by a person with a disability.

Twenty-nine out of the 39 Housing Authorities in Washington state responded to a survey in September 2004 and reported 37,797 people on their waiting list for Housing Choice Vouchers and 15,514 on their list for public housing units. Four Housing Authorities have stopped taking applications for both vouchers and rental units. Another eight have stopped taking applications just for vouchers, but their process remains open for public housing units. (See also Appendix Table A-15.)

This is only a snapshot at a point-in-time; however, it indicates the huge demand for subsidized housing across Washington State and establishes a clear need for additional rental assistance and for programs such as Tenant Based Rental Assistance. This comes at a time when the current federal Administration has proposed reducing Section 8 program funding in Washington State by \$35 million (12 percent, 5,194 households) in 2005, and \$95 million in 2009 (29 percent, 12,465 households). These proposed cuts

could not be substantially addressed by other programs, since all other federal and state low-income housing subsidy programs only total \$160 million a year in Washington State.

#### Washington State Housing Finance Commission

The Washington State Housing Finance Commission (WSHFC) was created as a financial conduit that, without lending the credit of the state, issues non-recourse revenue bonds to finance affordable housing. It participates in federal, state or local housing programs and makes additional funds available at affordable rates to help provide housing throughout the state. The HFC is responsible for allocating private activity bond cap among multi-family developers and for allocating low-income housing tax credits.

For the 20 year period 1987 to 2003, the WSHFC has financed 22,653 units with competitive tax credits and with tax credits issued by the Commission coupled with tax-exempt bonds issued by local partners. Another 24,450 units were financed with bonds issued by the Commission (alone) and with bonds coupled with tax credits. The Commission's programs are mainly oriented toward increasing affordable housing for low- and moderate-income households.

#### USDA Rural Development

**Table III-11: USDA Assisted Units**

Target Population	1999	2004	Percent Increase
Family	3,117	3,197	2.6%
Elderly	3,287	3,461	5.3%
Farmworker	492	521	5.9%
Mixed	131	188	43.5%
<b>Total</b>	<b>7,027</b>	<b>7,367</b>	<b>4.8%</b>

Source: Washington Low-Income Housing Alliance, 2004

The USDA Rural Development program offers loans, grants, and loan guarantees to rural areas within Washington. The number of USDA financed units increased by almost 5 percent over the past four years. Among Washington's counties Snohomish, Yakima, Skagit, Grant and Okanogan had the greatest number of USDA assisted units in 2004. (See also Appendix Table A-16.)

#### Rental Housing Vacancy – Market Rate and Publicly Financed

The 2000 Census reported 179,677 vacant housing units in Washington State. Of these units, 15.2 percent were for sale and 28.3 percent were for rent. The vacancy rate for homeowners was 1.8 percent and 5.9 percent for rental units. (See also Appendix Table A-17.)

A more recent snapshot of rental vacancy rates is provided by WCRER in their report, "*Washington Low-Income Housing Vacancy Rate Standard (Methodology) and September 2003 Vacancy Rate Estimates.*"

Table III-12 presents three September 2003 vacancy rate estimates by county – 1) for all market-rate apartments; 2) for market-rate apartments affordable to very-low income households; 3) for publicly-financed low-income housing. The publicly financed rates could be calculated for all but two counties – Garfield and Wahkiakum. These communities have the smallest county populations and the smallest total inventories of multifamily housing, minimizing the impact of the absence of vacancy statistics in those

## Part III

### State Profile and Needs Assessment

markets. The market-rate data was collected through the WCRER and D[upre]+S[cott] market surveys. Empty cells in the table indicate market-rate data was not collected because there were too few apartments. Only one-bedroom and two-bedroom/one-bath units were surveyed.

**Table III-12: Very Low Income Market-Rate and Publicly-Financed Apartment Vacancy Rates  
September 2003**

County	Overall Market- Rate Apartment Vacancy	Very Low Income Market- Rate Apartment Vacancy	Publicly- Financed Low- Income Vacancy*	County	Overall Market- Rate Apartment Vacancy	Very Low Income Market- Rate Apartment Vacancy	Publicly- Financed Low- Income Vacancy*
Adams			5.6%	Lewis	2.4%	2.8%	3.6%
Asotin			10.0%	Lincoln			0.0%
Benton	5.5%	5.7%	2.4%	Mason			1.4%
Chelan	5.8%	5.8%	6.6%	Okanogan			4.9%
Clallam	5.3%	5.1%	2.2%	Pacific			6.5%
Clark	5.3%	5.8%	5.5%	Pend Oreille			1.9%
Columbia			10.4%	Pierce	6.9%	7.0%	5.9%
Cowlitz	5.6%	6.4%	6.5%	San Juan			5.1%
Douglas	5.8%	0.0%	6.4%	Skagit	7.7%	9.9%	1.4%
Ferry			2.9%	Skamania			0.0%
Franklin	5.5%	3.7%	6.2%	Snohomish	9.0%	9.2%	4.0%
Garfield			n/a	Spokane	5.5%	4.9%	5.2%
Grant	6.0%	5.5%	2.7%	Stevens			4.5%
Grays Harbor	4.0%	0.9%	3.8%	Thurston	4.0%	4.2%	4.4%
Island	2.0%	2.5%	0.0%	Wahkiakum			n/a
Jefferson			1.4%	Walla Walla	6.2%	4.5%	1.7%
King	7.4%	6.8%	3.6%	Whatcom	6.3%	9.9%	2.1%
Kitsap	3.7%	3.2%	1.7%	Whitman	2.3%	1.4%	2.9%
Kittitas	1.2%	0.9%	3.0%	Yakima	3.6%	4.1%	4.6%
Klickitat			2.3%				

Since all publicly-financed units are treated as if they are affordable to all income groups, these vacancy rates may reflect units which are not truly affordable. *Source: Washington Center for Real Estate Research (WCRER)*

Vacancy rates for the designated categories vary widely across Washington state. For all market rate apartments, the vacancy rate ranged from a low of 1.2 percent in Kittitas to a high of 9 percent in Snohomish County. In general (for all market-rate apartment) about 41 percent of the counties in the state

had vacancy rates that were 6 percent or lower. For publicly financed low-income apartments, more than 60 percent of the counties had vacancy rates that were 5 percent or lower. As noted in WCRER's table, a note of caution is made with regard to vacancy rates in publicly-financed low-income units. The vacancy study had treated these units as if they were affordable to all income groups, but this may not have been the actual case, therefore, the rates may reflect units that are not truly affordable.

There is considerable dialogue and community debate with regard to the WCRER's vacancy rate estimates. Further refinement, continuance of semiannual surveys, and more specific inquiry that recognizes that not all units which are supported in whole or in part with public monies are affordable to all low-income households will provide better data from which the state may make decisions on priorities that reflect true local housing needs.



## Part III

### State Profile and Needs Assessment

#### Rental Housing Cost – Market Rate

The WCRER developed two tables that are useful to illustrate the distribution of apartment rents in each county and the market rents facing renter households in Washington state. The following table shows the distribution of rents for one-bedroom apartments, by county in September 2003.

**Table III-13: Rental Cost Distribution (as % of Market), 1-Bedroom Market-Rate Apartments  
September 2003**

County	<\$300	\$300-349	\$350-399	\$400-449	\$450-499	\$500-549	\$550-599	\$600-649	\$650-699	\$700-799	\$800-899	\$900-999	\$1,000+
Benton			4.0	18.4	16.0	31.7	17.5	2.9	2.9	4.0	1.8	0.7	
Chelan			28.5	7.6	20.9	42.9							
Clallam			33.3	27.7	38.8								
Clark				3.3	28.3	11.3	20.6	18.3	12.9	5.3			
Cowlitz		10.2	28.4	14.4	12.3	29.1	5.6						
Douglas				100.0									
Franklin			4.8		95.2								
Grant	3.5	9.0	79.5		8.0								
Grays Harbor			57.5	42.5									
Island			16.7						83.3				
King				0.1	2.0	4.3	10.9	14.4	16.9	22.7	12.3	7.6	8.8
Kitsap			0.9	5.0	3.1	18.9	5.5	32.5	10.9	22.9			
Kittitas		9.0	3.7	38.7	17.0	31.6							
Lewis			40.7	30.5	28.8								
Pierce			6.7	9.0	17.9	11.6	23.3	11.1	8.2	9.6	1.9	0.5	
Skagit/Whatcom				9.6	2.5	16.5	35.4	23.0	12.8				
Snohomish				0.2	2.3	14.8	20.4	15.9	24.0	17.3	4.3		0.6
Spokane	2.9	1.0	23.8	30.7	18.7	12.8	7.3	2.9					
Thurston			1.9	3.7	16.2	11.7	18.6	30.5	10.1	7.4			
Walla Walla			59.1	24.3		16.6							
Whitman	1.4		43.7	41.0	13.7								
Yakima		9.6	21.8	28.8	39.7								

Source: Washington Center for Real Estate Research (WCRER)

The WCRER report points out that aside from Grant, Spokane and Whitman counties, there are effectively no one-bedroom apartments available in any county with a significant number of apartments that rent for less than \$300 per month. Almost without exception these rents are exclusive of electricity.

To further illustrate the circumstances faced by renters, especially those who are extremely low-income, we can look at Whatcom County. A family of one, at 30 percent of median family income, can only afford to pay \$304 a month (for housing costs that include utilities) without being cost burdened. Yet, there are no private market units in the county that rent for less than \$400 (plus the cost of utilities).

As found by WCRER, the situation becomes more challenging for basic two-bedroom apartments with a single bath, the second most frequently encountered configuration. The following table shows the distribution of rents for two-bedroom/one-bath apartments, by county in September 2003. WCRER reported that generally speaking, the entry-level rental cost is \$50 - \$100 higher for two-bedroom apartments than for one-bedroom units. In other areas rents were at least \$400 before a significant number of units were in the local inventory.

## Part III

### State Profile and Needs Assessment

**Table III-14: Rental Cost Distribution (as % of Market), 2-Bedroom/1-Bath Market-Rate Apartments  
September 2003**

County	<\$300	\$300-349	\$350-399	\$400-449	\$450-499	\$500-549	\$550-599	\$600-649	\$650-699	\$700-799	\$800-899	\$900-999	\$1,000+
Benton					6.2	12.4	25.6	18.9	22.7	11.6		2.4	
Chelan				19.1	31.2	10.1	5.8	33.9					
Clallam			2.7	45.9	17.1	29.7		4.5					
Clark					2.5	13.8	38.1	18.9	19.9	6.6			
Cowlitz			1.0		68.4		18.7	5.3	6.5				
Douglas					28.6	32.7	38.7						
Franklin				9.2	31.6	22.4	36.7						
Grant			5.1	27.6	14.7	11.2	41.4						
Grays Harbor				26.5	43.1		10.8	19.6					
Island				42.9				57.1					
King						0.4	2.3	10.4	13.6	27.3	21.4	13.1	11.4
Kitsap						6.6	10.9	17.7	12.8	38.1	13.8		
Kittitas			0.3		5.7	13.7	43.0	37.2					
Lewis			5.9	23.5			70.6						
Pierce			0.3	0.4	3.7	5.8	9.5	28.4	18.9	22.4	9.3	1.0	0.3
Skagit/Whatcom						10.6	18.2	30.2	19.4	26.1	7.4		
Snohomish					0.8	3.0	10.1	15.9	14.8	35.3	16.9	2.7	0.5
Spokane				11.3	24.6	18.0	24.2	12.4	7.2	1.2		0.1	0.7
Thurston					1.3	1.7	33.1	11.3	23.8	26.4	2.3		
Walla Walla				16.5	21.5	43.8	18.1						
Whitman	4.6	3.5		5.3	9.2	57.7	9.6	9.6	0.4				
Yakima			0.4	23.7	11.9	15.9	48.1						

Source: Washington Center for Real Estate Research (WCER)

### Housing Cost Burden by Tenure

HUD provides useful aggregate data on housing problems for all households based on the 2000 Census. The following highlights on housing affordability is derived from HUD's CHAS Data Book for 1990 and 2000. (See also Appendix Table A-18.)

The number of households earning 0 to 80 percent of median family income, who were extremely cost burdened, jumped 51 percent from 163,209 households in 1990 to 246,330 households in 2000. Cost

burden is the fraction of a household's total gross income spent on housing costs. For renters, housing costs include rent paid by the tenant plus utilities. For owners, housing costs include mortgage payment, taxes, insurance, and utilities. Extreme cost burden means a household paid more than 50 percent of its gross income on housing costs.

Of the 246,330 households who are extremely cost burdened, 58 percent of them (143,665) are households who are extremely low-income (meaning they earn 30 percent or less of the median family income). These renters and owners are at extreme risk of becoming homeless. A missed paycheck, a health crisis or an unpaid bill can push these extremely poor families over the edge into homelessness.

Another 63,530 of the households who are extremely cost burdened earn between 31 to 50 percent of the median family income. These two income groups comprise fully 84 percent of all low-income households who are extremely cost burdened.

The incidence of severe cost burden varies somewhat by tenure.

**Table: III-15: Households With Severe Cost Burden (>50%)**

Households 0 to 80 % MFI	Renter	Owner	Total
0 – 30%	99,156	44,509	143,665
31 – 50%	29,786	33,744	63,530
51 – 80%	7,002	32,133	39,135
Total	135,944	110,386	246,330

Source: CHAS Data Book

While more than twice as many renter households than owners in the 0-30% income category are severely cost burdened, there are more owners than renters in the 31-50% and 51-80% income categories who are severely cost burdened.

Research provided by Columbia Legal Services point out that extremely low-income households have very little ability to pay market rate rents. In looking at the fair market rent for a one-bedroom unit, there is no county in the state where a single individual at 30, 35, and 40 percent of the family median income has enough income to pay the fair market rent, without being cost burdened. These households would need to spend anywhere from 32 to 58 percent of their income for their housing. (See also Appendix Tables A-19, A-20 and A-21.) The situation gets better for single households at 45 to 50 percent of median family income. There are 6 counties where households at 45 percent of median family income could afford the fair market rent. This increases to 24 for single households at 50 percent of median family income.

#### **Disproportionate Housing Problem by Race/Ethnicity**

HUD CHAS tables indicate several race/ethnic groups faced disproportionate housing problems (e.g. high cost burden) in 2000. Disproportionate housing problem is defined as when a particular race/ethnic group faces housing problems 10 percentage points higher, than that for all households.

In Washington, the disproportionate problem definition set forth by HUD result in a finding that Hispanic renter households earning more than 50 percent of family median income faced disproportionate problems

## Part III

### State Profile and Needs Assessment

as did Asians renter in the >80 percent income bracket and Pacific Islanders renters in the >50 percent income bracket.

Among owners, Black, Hispanic and Asian owners in the 31-80 percent income bracket faced disproportionate housing problems. Hispanic and Asian owners in the >80 percent income bracket faced disproportionate problems. Pacific Islander owners in the >50 percent income bracket faced disproportionate housing problems. (See also Appendix Tables A-22 through A-26.)

The following table illustrates housing problems by race/ethnicity.

**Table III-16: Disproportionate Need by Ethnicity**

Disproportionate Need by Ethnicity, 2000 Data						
	Renters and Owners					
	Percent of Households with Housing Problems					
Income Group	All HH	White	Black	Hispanic	Asian	Pac Islander
Extremely Low Income (0% to 30%)	77.1%	76.8%	80.3%	85.6%	68.5%	78.5%
Very Low Income (31% to 50%)	69.3%	67.0%	77.9%	80.4%	78.2%	77.6%
Low Income (51% to 80%)	45.5%	43.5%	47.4%	59.9%	58.5%	62.5%
Moderate Income (81% to 95%)	15.9%	14.7%	19.9%	31.0%	26.4%	28.2%
	Renters Only					
	Percent of Households with Housing Problems					
Income Group	All HH	White	Black	Hispanic	Asian	Pac Islander
Extremely Low Income (0% to 30%)	77.8%	77.9%	80.4%	85.9%	61.1%	81.5%
Very Low Income (31% to 50%)	77.6%	76.8%	79.2%	81.2%	81.4%	79.7%
Low Income (51% to 80%)	41.3%	39.8%	38.0%	53.6%	49.8%	51.5%
Moderate Income (81% to 95%)	11.8%	9.7%	12.2%	31.0%	21.8%	26.4%

### Disproportionate Need by Ethnicity, 2000 Data (cont.)

		Owners Only					
		Percent of Households with Housing Problems					
Income Group		All HH	White	Black	Hispanic	Asian	Pac Islander
Extremely Low Income (0% to 30%)		75.5%	74.8%	79.3%	84.3%	78.8%	58.3%
Very Low Income (31% to 50%)		58.3%	56.1%	71.9%	78.0%	72.2%	67.9%
Low Income (51% to 80%)		49.1%	46.4%	70.3%	70.3%	66.8%	80.6%
Moderate Income (81% to 95%)		17.1%	16.0%	25.4%	30.9%	28.0%	29.4%
Notes:							
Disproportionate need is shown by larger bold typeface and gray shading.							
Disproportionate need exists when the percentage of households in a category of need is at least 10							
percentage points higher than the percentage of persons in the category as a whole.							
White=White Non-hispanic							
Black=Black Non-hispanic							
Data not available to calculate disproportionate need for other racial/ethnic categories.							
Households with housing problems are those in housing units lacking complete kitchen, lacking complete plumbing, having more than 1.01 persons per room (overcrowded), or paying more than a							
30% cost burden.							

Sources: 2000 Census Bureau

## **Homeless**

In 2003, 51,380 individuals in 35,943 households were provided emergency shelter in Washington State through state-supported emergency shelters (about 75 percent of all shelters). This is a 9 percent increase from 2002 and 3 percent more than those sheltered in 2001, indicating an upward trend in the number of people facing homelessness in our state. Shelter stays averaged 23 days. Fifty percent of the individuals served were in families with children.

Since 1985, substantial state and federal funds have been appropriated to alleviate homelessness in our state and nationally. Nevertheless, it remains a pervasive and persistent issue. A lack of affordable housing, the limited scale of housing with supportive services and stagnant or falling incomes are primary causes of homelessness. Extremely low-income households do not have enough money to pay for rising housing costs as well as other basic costs of living. People with disabilities including people with chronic mental illness and people suffering from drug and alcohol abuse are frequently not able to access income and supportive services that should be available to them (SSI, GAU) and the income they receive is so little that it does not cover the costs of housing. There are homeless families and individuals in every county of the state. It is preventable and “curable” with adequate and smart investment of resources into housing and human services.

The problem of homelessness is urgent and compelling justifying the goal of ending homelessness as a top priority for state and federal government.

- In 2003, community-based organizations provided 1,228,623 shelter bed nights to 51,380 individuals in 35,943 households; and 684,363 prevention bed nights to 41,515 individuals in 22,883 households.
- Although requests for shelter are duplicated when people try several shelters over a period of days, turnaways are an indicator of shelter demand. There were 78,027 unfilled shelter requests in SFY 2003, which is an increase over the 66,473 turnaways in 2001.
- People who do not stay in shelters often sleep in their cars, under bridges, in alleyways and near the entrances of office buildings. This can be a deterrent for business activities and tourism. There are resulting increased costs to local governments, hospitals and social service organizations.
- The "Housing Wage" in Washington is \$15.15. In Washington, a worker earning the minimum wage (7.01 per hour) must work 86 hours per week in order to afford a two-bedroom unit at the state's median Fair Market Rent.
- The “housing wage” is the amount a full time (40 hours a week) worker must earn per hour to afford a two-bedroom unit at the state's Fair Market Rent. This is 216 percent of the minimum wage (\$7.01 per hour). Between 2002 and 2003 the two-bedroom Housing Wage increased by 2.56 percent.
- In Washington State, 242,388 households earn less than 30 percent of the median income and of this group 59 percent are paying more than 50 percent of their incomes for rent. These households are at extreme risk of becoming homeless. A missed paycheck, a health crisis or an unpaid bill can push these poor families over the edge into homelessness.



- Children who do not have a stable and secure place to live do poorly in school. Children who have experienced prolonged homelessness are much more likely to become homeless as adults. Nearly 50 percent of homeless school age children do not attend school regularly and are twice as likely to repeat grades and have serious learning disabilities.
- People who are homeless are more likely to suffer from health problems. Conditions that require regular treatment are extremely difficult to treat or control among those without adequate housing. Homeless people use emergency rooms for medical treatment – costs of emergency treatment are much higher than prevention or regular treatment.
- The federal government is not adding resources to adequately address this crisis in housing. Significant federal emphasis on planning for homelessness through promotion of 10-year plans has not been matched by an increased federal commitment of resources. In fact, the administration is proposing reductions in the federal housing budget that have the potential of increasing homelessness. For example, the administration has already made changes to the Section 8 rental assistance program, which has reduced the number of household that can be assisted. There are increased reductions in the proposed 2005 federal budget.

## Special Needs

Beyond basic subsidized housing, many low-income persons need supportive services in order to be stable enough to remain in housing over the long term. Currently, many people with disabilities cannot take advantage of what affordable housing exists because the services they need to stay housed are not available. Instead, they often lose what housing they have, end up homeless, in emergency rooms, and in jail or prison. Expanded community-based supportive services would not only allow people to remain housed, but would also reduce the costs now borne by the health and criminal justice systems.

Typical services needed for supportive housing may include: case-management, health services, mental health services, addiction services, employment services, legal services, protective payee services, social support systems. Childcare and transportation may also be included in supportive housing services. The variety and span of control represented by these services speaks to the need for high-level coordination and collaboration between state and local agencies and service providers.

Although it is clear there are far more people in need of supportive housing than is currently available, an exact account of the need is not currently available. Table [insert number] provides rough estimates of the total need.

**Table III-17: Supportive Housing Needs in Washington State**

### Supportive Housing Needs in Washington State

Special Need Population	Total Population	Estimated Need for Supportive Housing Units	Description	Total State Financed Housing Units
Elderly Households (Age >= 65)	422,695	87,498	Households spending more than 50 percent of income on housing.	559
Disabled Elderly Households (Age >= 65)	59,936	24,835	Elderly households with self-care disabilities, and an income less than \$25,000.	
Households, self-care disabilities (Age 25 - 64)	62,242	11,599	Households with a member with self-care disabilities, and an income less than \$25,000.	178
Households, mental health disabilities (Age 25 - 64)	233,562	43,524	Households with a member with a mental health disability with income less than \$25,000.	948
Persons with Developmental Disabilities	35,974	2,522	Individuals needing supportive housing.	821
Persons in need of substance abuse treatment	413,833	99,863	Individuals in need of treatment with income less than 200 percent of poverty.	479
Persons with AIDS	408	408	Individuals living with AIDS in Washington.	207

Sources: 2000 Census; An Analysis of Unmet Service Needs for Washington State's Division of Developmental Disabilities, DSHS 1999

Until inroads are made on collecting and managing data on a statewide basis, the scope and depth of housing needs for households who need supportive housing will be difficult to identify.

For the most part, state investments in housing and services are not well coordinated. Most federal and state services dollars are connected to individuals not to housing units. While subsidized housing providers offer the most affordable housing, they often do not serve those in greatest need. Clients, public income assistance, and public service systems are paying more than is necessary in the private market to acquire housing.

Most people needing supporting services are extremely low-income. They cannot afford rent levels that can cover the basic operating and maintenance costs of housing. The major source of rent subsidy for these individuals is HUD's Section 8 program. This is the largest housing subsidy in the state, save homeowner's mortgage subsidy. While the Section 8 program has had strong bipartisan support since the 1980s, it is under attack in the current administration. Funds have been reduced in the current budget, and there is the risk of huge reductions over the next 4 years. Without rent/operating subsidies, supportive housing cannot be sustained.

Addressing the need for supportive housing for special needs populations would produce benefits in other areas. State investments in maintaining and expanding our prison systems are staggering. The Department of Corrections has identified a major contributor to recidivism is the release of offenders with no incomes, no stable housing options, and mental and physical disabilities or addictions. Collaborative programs providing housing and services could significantly reduce overall state expenditures. There is considerable national evaluation data that demonstrates the efficacy and cost effectiveness of these programs.

While much of the attention to addressing the housing needs of special needs population tends to focus on rental housing, homeownership is not beyond the grasp of households with special needs.

The State of Washington continues the nationwide trend of downsizing state institutions that provide high cost care for persons with disabilities. The Olmstead Act reinforces this trend by requiring states to provide community based housing options for persons currently housed in state institutions. Since 1993 Washington State has participated in creating affordable community based housing for persons with developmental disabilities leaving the institutions. This community based housing has provided over 700 persons with developmental disabilities an opportunity for more choice of housing options.

One of the successful community-based options has been the homeownership opportunity for persons with disabilities assisted by the Fannie Mae HomeChoice mortgage down payment assistance program. Washington State is the leader in the nation originating 460 of 900 HomeChoice loans for persons with disabilities. The homeownership option creates long-term stability in the community for persons with disabilities. The increasing affordability gap between incomes at or below 50% median income and the cost of homeownership creates a need for additional subsidy to provide homeownership opportunities for persons with disabilities.

## Farm Worker Housing

Washington State's economy is highly dependent on the health of its agricultural industry, which relies upon tens of thousands of seasonal farm workers to cultivate and harvest its crops. Each year, communities are overwhelmed by the sudden influx of migrant workers drawn into the state for the harvest of Washington's fruit crops. During peak harvest seasons, a critical shortage of housing forces hundreds of migrant workers and their families to live in substandard and overcrowded housing, or to camp illegally, posing health and safety hazards to themselves and to the community. The lack of adequate housing can also impact the availability of labor, resulting in the loss of millions of dollars to farmers and to the state's economy.

In 1998, recognizing the critical need for additional safe, decent and affordable housing for farm workers, Governor Gary Locke declared farm worker housing to be the state's number one priority housing need and included \$40 million for this purpose in his ten-year capital budget plan. In 1999, a legislative proviso established funding for a Farm Worker Housing program within the Housing Trust Fund. The program applies a three-pronged strategy to addressing farm worker housing needs that includes:

- Capital investments in permanent (year-round) housing for farm workers;
- Capital and operating investments in seasonal housing for migrant workers; and
- Emergency assistance for homeless migrant workers with no income immediately available.

Since 1999, a total of \$29.6 million has been committed to farm worker housing, including multi-family housing, homeownership assistance, seasonal camps, and on-farm housing. These investments have created 1,074 units of permanent housing and 33,919 seasonal beds. (See also Appendix Table A-27.)

While significant progress has been made, there is still much to be done. A 1996 report by the Department of Health: *Common Sense and Science: New Directions in the Regulation of Temporary Worker Housing*, estimated that approximately 62,300 migrant farm workers need housing at approximately 1,000 Washington farms per year. In 2003, only 6,415 seasonal beds were licensed by the Department of Health at 115 sites statewide.

In 2000, a grant from the Department of Housing and Urban Development enabled CTED to implement a farmworker housing infrastructure program and a One-Stop Center. These programs worked in partnership together to provide technical and financial assistance to growers to develop the necessary infrastructure for licensed on-farm housing. The program distributed over \$2 million to 55 growers, preserving or creating 2,662 seasonal beds, and leveraging over \$5.5 million in private investments. As federal funding for the infrastructure program has now been exhausted, there remains a critical need to assist growers in developing sufficient on-farm housing to meet the needs of all migrant workers.

## Lead-based Paint: A Strategic Focus

As part of the state's objective to preserving older housing, we must ensure that homes are both sound and safe and that lead-based paint hazards are controlled. The issue of lead-based paint hazards in housing is not only a safety and health concern, but a housing affordability issue. Measures taken to maintain and preserve established, older housing are generally more cost effective than replacement. Looked at from this perspective, a comprehensive rehabilitation approach that includes targeted remediation of lead-paint hazards, is an investment in the future of affordable housing. Lead-safe housing is not a 'stand-alone' issue. It is part of the wider effort to sustain the economic, cultural and social viability of our communities.

According to the *President's Task Force on Environmental Health Risks and Safety Risks to Children*, dated February 2000, between 86 percent and 95 percent of all residential lead-based paint hazards are found on housing built before 1960. In Washington, 722,000 housing units were built before 1960. Low-income families occupy 20 percent (approximately 145,000) of these 'lead-risk' housing units. Nearly 68 percent of all pre-1960 housing occupied by low-income families are not protected by HUD's lead-based paint regulations (1999). In Washington, this number is nearly 90,000 units.

Aligning itself with the Federal '2010' Strategy for dealing with lead-paint hazards, Washington, in the future, would consider targeting the 722,000 housing units built before 1960. These structures are currently, at a minimum, 45 years old. Those that have not undergone significant renovation are now in need of attention. By working towards a comprehensive, strategic approach, Washington can hope to preserve as many as 500,000 safe, affordable housing units for another 50 years.

For now, CTED will focus on the following objectives:

1. Incorporate guidelines for the management of lead-based paint in state-funded housing programs, including Energy Matchmakers, Tenant-Based Rental Assistance, and the Housing Trust Fund.
2. Work towards a state-wide strategic plan for community-based management of lead-based paint hazards, within the context of housing preservation.
3. Maintain and publicize a list available to consumers of lead-based paint professionals certified to provide lead-based paint services.

## Barriers to Affordable Housing

While the cost, supply and availability of housing in Washington State are affected by market forces, public policies at all levels of federal, state, and local government can also influence the provision of affordable housing. Federal economic policies affect migration and employment in Washington, leading to cycles of local market demand. Federal finance policies such as FHA mortgage insurance requirements, the federally chartered secondary mortgage market, and the lending regulations also have significant effects on housing. Federal housing policies regarding reductions in direct housing subsidies and income transfer payments impact the ability of lower-income people to afford housing.

Many of these federal policies affecting housing are beyond the reach of State of Washington actions. This section focuses on State policies which may affect housing affordability, in accordance with HUD's requirements in 24 CFR 91.300, titled *State Governments; Contents of Consolidated Plan*, which recommend that Consolidated Plans address barriers such as "tax policy affecting land and other property, land use controls, zoning ordinances, building codes, fees and charges, growth limits, and policies that affect the return on residential investment." The following discussion summarizes key issues on a statewide basis.

### Taxation and Fiscal Policies

The State of Washington has a unique set of taxation policies that have evolved historically and are still undergoing dynamic change. Three of the most significant aspects of Washington's taxation policies that affect affordable housing production are the absence of an income tax, a strong legislative history of local control leading to a proliferation of special purpose service districts, and a prohibition on using state credit to finance public improvements. All of these combine to limit the amount of funds available to assist affordable housing production, and also limit the amount of funds available to provide for coordinated infrastructure systems needed to support housing development in underserved areas of the state.

The State of Washington does not tax personal income, creating a strong reliance on other forms of taxation such as sales tax, business and occupation tax, real property tax, and special fees and assessments. While an analysis of the direct impacts of this set of revenue sources is beyond the scope of this Consolidated Plan, it is important to note that limitations on state revenue sources constrain the ability of the State to provide affordable housing subsidies, and increase its reliance on federal and local funding sources.

According to the *Final Report of the Washington State Local Governance Study Commission*, Washington has more than 1,400 special purpose districts, the highest number per capita of any state in the U.S., creating a set of challenges to the provision of infrastructure sufficient to support new housing development. Washington's taxation and governance policies are rooted in the strong preference by pioneering Washingtonians for local determination. In this spirit, the distribution of taxing power and the responsibility for delivery of public services have been fragmented among the state, counties, cities/towns, and special districts since Territorial days. The proliferation of single purpose special districts and the complex tax structure necessary to support them has resulted in the absence of economies of scale and coordination, leading to cases of insufficient infrastructure capacity to support new housing development.



A third set of policies relates to legal constraints on use of state credit to finance infrastructure and housing programs.

In contrast to the potential barriers posed by taxation policies, the State of Washington provides a package of tax advantages to encourage affordable housing. These include:

- Earnings from rental property are not subject to state taxation
- Property tax relief for qualified low-income elderly or disabled homeowners
- Property tax exemption for emergency shelters, transitional housing, and certain non-profit owned or operated rental housing.

### **Environmental Policies**

Communities in the State of Washington face a host of environmental regulations that affect new development of affordable housing, along with other development projects. These important regulations seek to preserve and improve the environmental quality of Washington's rich natural resources; however, they tend to likely add to the cost of building affordable housing units in certain locations, or otherwise constrain potential development sites.

For example, State and local environmental review, modeled after the National Environmental Protection Act (NEPA), has focused on the mitigation of impacts of individual projects, although this project review occurs late in the development process. While most development projects do not receive extensive environmental review, this process has sometimes delayed, defeated, or added requirements to individual projects, increasing the time and cost of housing development.

Other recent environmental changes such as the National Marine Fisheries Act of 2000, which impacts the habitats supporting salmon in the Pacific Northwest, also affect the ability to develop new affordable housing units. This Act proscribes limitations on construction near waterways that contribute to the salmon population, creating additional environmental assessment steps for housing developers to obtain clearance for some projects.

### **Costs of Infrastructure and Impact Fees**

Washington's Growth Management Act (GMA) requires the 248 cities and 29 counties fully planning under the GMA to plan for capital facilities to support development, including affordable housing. Sources of funding for capital facilities must be identified in the comprehensive land use plan. GMA also requires that public facilities and services be provided concurrently with development. Counties and cities have a variety of sources to fund capital facilities. A local government infrastructure study conducted by CTED in 1999 identified a \$3.05 billion shortfall based on local comprehensive plan capital facilities elements.

Washington municipalities impose development fees and exactions upon developers as a means of insuring the provision of public facilities necessitated by new development. Impact fees have complex effects on housing prices. One particularly thorough study of the effect of impact fees on housing prices found that fees reduced land prices by the amount of fees paid but also raised finished house prices by about half again the fee amount.

### **Limitations on Ability to Redevelop Within Urban Growth Areas**

The problem is not that there is not enough buildable land, but that the remaining land within urban growth areas (UGAs) is often constrained in ways that make it relatively expensive to build on. In order



to meet density targets, communities must redevelop land that has previously been built upon. Redevelopment challenges within UGAs include land assembly, clean up, dealing with existing structures, and providing or upgrading infrastructure. For example, remediation requirements in traditional industrial areas such as Seattle’s “SODO” district means that many new uses won’t pencil out.

### **Inadequate General Funds for Infrastructure**

Developers, and by extension their customers, are being asked to pay more of the costs of infrastructure because local governments have less general fund money available and taxpayers are less inclined to pay for growth. A prevalent attitude is: “I paid for my house, so why should I pay anything to support housing construction?” The one-percent-per year cap on regular property tax revenue growth has severely limited the ability to finance improvements with tax-backed bonds. Also, there is much less infrastructure funding available from the state and federal government than was available in the 1950’s through 1970’s. Local governments have moved from tax exempt general obligation bonds that spread the costs among all taxpayers, to finance mechanisms that focus on specific beneficiaries, such as Growth Management impact fees, financing backed by utility rates, or through local improvement districts (LIDs). Each community must make a policy decision about whether the cost of new infrastructure is charged directly to the new users or spread, via higher taxes, across the community. Infrastructure costs in areas where there is little current development can be substantial. The developer is likely to pass these costs on to the homebuyer.

### **Local Zoning**

Zoning is the primary system by which counties and municipalities maintain control over the pattern of land development within their boundaries. Zoning regulations allocate parcels of land to different classifications with certain uses being permitted, while others are proscribed. Zoning practices of counties and cities often have the intended or unintended effect of increasing housing costs, and effectively excluding prospective low and moderate income households from locating affordable housing for purchase or rent. Zoning can be used as a positive tool in support of cost-effective and efficient design if housing affordability is considered as part of the jurisdiction’s policy. The use of techniques such as programs for moderately priced dwelling units, zero lot line housing, mixed use zones, viable basic design and performance zoning can help to produce affordable housing. Zoning regulations prescribing minimum lot sizes, minimum setbacks, and other requirements may necessitate the need for larger lots, which drive up the cost of housing and making it less affordable.

CTED funded four demonstration projects in 2003, asking that developers and local governments identify regulatory barriers to well-designed high-density low- or middle-income housing developments inside of UGAs. The demonstration projects identified a number of local regulatory barriers, including:

- Bulk regulations that control building height and setbacks;
- Right-of-way requirements, e.g. wide street width standards or curb and gutter requirements requiring street replacement;
- Building height maximum requirements that do not take slopes into account when measuring height;
- Minimum lot size requirements that translate to maximum rather than minimum densities;
- Lack of provision for small lots or cottage housing;
- Lack of provision for alleys;
- Lack of provision for lot size averaging, which would allow flexibility in the subdivision of land in a way that generally increases the net yield of lots by allowing wetland buffers and portions of larger lots to be balanced with smaller lots, as long as the average size stays the same.

- Lack of provision for zero lot lines;
- Landscape requirements that reduce the developable portion of a site by requiring buffers from adjacent uses that may not be needed, or do not allow flexibility of site design;
- Parking requirements that:
  - Do not take into account reduced need for parking for multi-family residential or shared use for mixed-use development;
  - Do not take into account availability of transit; or
  - Do not count on-street parking.
- Inconsistencies between regulations, e.g. different definitions of building height between shoreline management code, building code, and development code.

### **Administrative Processes and Streamlining**

The length of time involved in the permit approval process itself may often constitute a significant barrier. In some cases the process of obtaining all required permits and approvals may add months or even years to the development time. During this period the developer must pay the explicit costs of funds borrowed to finance the development and staff retained to design it, as well as the implicit cost of revenues foregone as a result of the approval process delay. Due to a lack of a standardized statewide permitting process, Washington struggles with an expensive process of building and remodeling.

### **Insurance Costs for Housing Continue to Increase**

In the past 5 years, insurance costs have skyrocketed and many insurers have dropped their coverage for builder's risk and multifamily housing. This has greatly impacted Washington's housing industry, particularly small contractors and subcontractors, condominium builders and nonprofit housing developers. The industry was impacted by multiple crises such as the devastation of September 11<sup>th</sup> in New York and costly mold cases in Texas. Many carriers are located in the Midwest or East Coast, but apply their regional underwriting philosophy on a nationwide basis. To reduce their risk exposure, a number of carriers decided simply to drop what they viewed as high-risk sectors, including multifamily apartments, senior and disabled housing, subsidized housing, and condominiums, even though these types of housing in Washington State have performed relatively well.

### **Difficulties in Financing and Siting Manufactured Housing**

Despite new legislation prohibiting local governments from discriminating against siting of a manufactured home, manufactured homes are still not accepted in many communities. Considerable work remains to be done with elected officials and communities to educate them regarding the quality of manufactured housing and the opportunities for provision of single-family affordable housing.

Financing for manufactured homes is also a challenge because they are not considered real property when they are purchased. Fannie Mae has been working with states to codify conversion to real property, which is complete in Washington State. Additional changes may allow for homes to bypass the licensing process if they are qualified as real property at the time of sale and installation.

### **Strategies for Breaking Down the Barriers**

#### Provide more public education:

Government is asking existing residents to pay for increased density in their communities. There is a need for more public education and community involvement. The state should find examples that work and give awards. CTED could expand its "Affordable by Design" web site to include a variety of low- and middle-income projects from around the state.

### Make more public investment in infrastructure:

- Reexamine the balance of “who pays for growth” with respect to affordable housing. Support more public investment in infrastructure from general tax revenues, rather than depending on impact fees, hook-up fees and development requirements that can add to housing costs.
- Support deferral of impact fee collection or waiver for low-income housing:
  - Encourage cities to negotiate with a school district to waive impact fees for affordable housing.
  - Clarify the ability in statute for locals to waive charges for systems and utilities for low-income housing.
  - Continue to support impact fee deferral, provided it does not impact a jurisdiction’s ability to collect.
  - Pursue a constitutional amendment to make tax increment financing work in this state.

### Pursue regulatory strategies and incentives that support affordable housing:

- Promote local inclusionary zoning requirements for affordable housing or voluntary programs with density bonuses and other incentives for developers
- Require minimum densities within urban growth areas (UGAs):
  - Require minimum density targets in UGAs for each jurisdiction.
  - Require review of development regulations for barriers to achieving higher densities within UGAs, e.g., setback, right-of-way, building height and parking requirements.
  - Encourage cities to take advantage of the categorical exemption from SEPA for residential development in areas where they are not meeting targeted densities.
- Support compliance with the requirement to allow accessory dwelling units.
- Substantially simplify local building codes through the state building code without compromising public safety.
- Encourage better environmental review of plans and regulations to streamline permitting. Support funding for CTED’s Planning and Environmental Review Fund (PERF).
- Encourage priority permit processing for low-income housing developments.
- Allow smaller rural communities outside of urban growth areas to do more with density - create small nodes of development surrounded by rural land.
- Allow property tax reductions for affordable housing by expanding tax exemptions or credits for owners of lower income housing and supporting other tax breaks for developers of affordable housing.
- Provide more public education and community involvement so that citizens see that housing density can be accomplished in a way that enhances rather than detracts from the quality of life.
- Examine other ownership models such as “mutual housing” and cooperatives.

### Strengthen GMA affordable housing planning requirements:

- Require jurisdictions to address affordable housing in more detail in the countywide planning policies that govern local land use plans.
- Make the housing element requirements more specific.
- Require measurable goals that monitor provision of affordable housing.
- Provide better enforcement of GMA, especially in cities.
- Provide more funding for affordable housing.
- Encourage higher density housing through GMA plans, and through zoning.

#### Allow property tax reductions for affordable housing:

Help housing providers and jurisdictions to maximize what they have by expanding tax exemptions or credits for owners of lower income housing. Examine other tax breaks for developers of affordable housing, such as an exemption on the sale tax on construction labor.

#### Help developers address rising insurance costs:

- Support stable insurance costs for affordable housing providers with rent restricted properties.
- Ensure there is affordable and available insurance coverage for housing contractors, particularly condo builders, small homebuilders, and subcontractors.
- Promote risk-reduction and safety programs within the affordable housing industry.
- Continue to work on liability reform for all housing development and operations while protecting consumer interests.

#### Work in partnership with Government Sponsored Entities to increase availability of financing for manufactured housing:

A Fannie Mae program available in Washington State will allow financing up to \$333,700 for qualified borrowers purchasing a HUD code Manufactured Home to be placed on the borrower's real property. Freddie Mac has piloted land lease community programs in other Western states. If successful, Washington State may see community banks participate in this program, which allows mortgage financing of HUD code Manufactured Homes placed in long-term land lease communities (with the exception of tribal trust lands).

## Non-Housing Community Development Needs

Based on HUD guidelines, non-housing community development needs include community facility projects, public service needs, infrastructure projects, economic development needs and planning. This section summarizes the data sources reviewed and the community development needs identified for the 2005 Consolidated Plan.

Because state CDBG funds are awarded to local governments, local prioritization of community development needs is key to the use of state CDBG funds. CTED reviews both a wide variety of both statewide data **and** information on the local prioritization of needs to determine how to allocate its CDBG funds to meet HUD national objectives and program goals, in response to the needs of non-entitlement communities. CTED also encourages the local prioritization of needs, especially the needs of low- and moderate-income persons, through its technical assistance and planning resources available to communities.

### Review of External Environment

In 2004, CTED established its 2005-2011 Strategic Plan. In the development of the 2005-2011 Strategic Plan, CTED reviewed its external environment and identified key trends. Below are excerpts from CTED's 2005-2001 Strategic Plan:

***Challenging Economic Times*** – The state is continuing to face a challenging economic environment due to layoffs in the aerospace and information technology industries. The state has one of the highest unemployment rates in the country, despite a recovering national economy. The result is an increased need for resources from CTED for shelter, food, infrastructure financing, economic development assistance and other community services. Health insurance and other insurance rates are having a significant impact on business and providers of affordable housing. Transportation gridlock for people and cargo further undermines state's competitiveness and must be solved. The state faces potential constraints over air cargo space/facilities.

Washington State is home to a number of world-class companies and has the highest paid technology workers in the country. Technology jobs accounts for 38% of the state's total employment. The state has made significant investments in local telecommunications and other business-linked infrastructure and in education and training, providing a solid foundation from which to grow. However, there are gaps. One gap is a strategic, comprehensive marketing approach to enhance the state's competitive position on behalf of businesses and communities throughout the state. The Legislature provided some recognition of that gap in 2003 by providing for additional dollars in tourism marketing and business development marketing.

While Boeing's announcement to build the 7E7 here in Washington State has given new hope for the state's economy, the financial benefits from the state's success will not be realized immediately. The dramatic changes in the economy are forcing the state, and CTED, to re-examine its role in economic development and the overall strategy for investing severely limited resources. Lessons learned from the state's experience in developing the proposal for Boeing's 7E7 should inform that discussion.

***Global Competition*** –Global competition is having local impacts on farming, forestry, manufacturing, and other key sectors of the state economy. Additionally:

- Current U.S. dollar high value undermines competitiveness of American exports;
- Global economic downturn and related expansion of protectionism; and

- War, contagious disease outbreaks and homeland security all create a difficult and challenging atmosphere for international trade.

***Balancing Quality Of Life With Economic Development*** – Washington State is becoming a region where we are continually faced with the challenge of balancing valued environmental qualities with the desire for keeping existing businesses and attracting new ones. Impacts to salmon are a prime example of the state's need to protect habitat while accommodating an economic future. The astounding environmental and natural features of the state are clearly recognized as assets in attracting economic investment and residents. Cultural resources also enhance the quality of life and should be promoted as an economic development opportunity as opposed to a barrier.

***Reduced Funding For Local Governments*** - Continuing reductions in state and federal funding for local governments has seriously affected their capabilities in CTED service areas such as planning, law enforcement, housing and capital projects and historic preservation. State funding sources have decreased or stayed the same while local governments continue to experience budget shortfalls due to reduced revenues from a slow economy and limits placed on raising revenues by state initiatives. Federal funding has declined and each program has strict limits on the amount that can be used for administration. Competition among CTED contractors for assistance and funding is increasing due to these declines in funding and cuts in staffing. CTED will continue to look for new ways to be more efficient in providing services, to leverage existing funds and to streamline agency processes.

#### **Local Government Surveys**

AWC State of the Cities Survey: In mid-2004, the Association of Washington Cities (AWC) conducted an extensive State of the Cities Survey. AWC will combine the survey data with census and other financial data to help analyze trends and future challenges for cities. While the survey report is not complete, a preliminary review was conducted of the survey responses received from cities in low- and moderate-income, non-metro and small areas, which are typically eligible for state CDBG funding.

To assess the extent to which local conditions were currently a problem, the cities were asked to indicate whether a specific condition were a major, moderate or minor problem. The majority of the non-metro and small areas responded that the conditions that were the greatest problems were:

- Overall economic conditions of the community
- Unemployment
- Drugs/alcohol abuse
- Impacts of unfunded mandates
- Overall city budget condition
- Sales tax base

The cities also reported that these conditions have generally worsened over the past five years.



To provide specific information on infrastructure needs, the cities ranked their highest replacement and new capacity needs, as listed in the table below. For the non-metro and small areas, sewer was both the highest ranked infrastructure replacement and new capacity need.

**Table III-18: Ranked Infrastructure Needs**

Replacement Needs	New Capacity Needs
Sewer	Sewer
Streets	Stormwater
Water	Water
Stormwater	Sidewalks
Sidewalks	Streets
Street Lighting	Street Lighting
Bridges	Bridges

Once the State of the Cities Survey is completed by AWC, this information will be further assessed to gain additional information on priority needs in communities across the state. For more information on the AWC State of the Cities Survey, visit the AWC website at [www.awcnet.org](http://www.awcnet.org).

CDBG Small Communities Survey: In the summer of 2004, the CDBG distributed informal surveys to non-entitlement communities potentially seeking funding in 2005. While not statistically valid, the results supplement and confirm the data received from other sources. Of importance, the surveys provided a direct opportunity for the smaller, lower income communities to identify local priorities and to influence state allocation policies. The populations of the respondents ranged from 153 – 2,198 (average 886); and the percentage of low- and moderate-income persons within these communities ranged from 46% - 71% (average 58%). Using the community development needs listed by HUD Table 2C in the Strategic Plan section, the survey asked whether each community development need was a High (H), Medium (M), Low (L) or No (N) priority. The table below provides a summary of the responses.



**Table III-19: Small Community Needs Survey**

Community Development Need	Priority Level H, M, L, N	Community Development Need	Priority Level H, M, L, N
<b>Community Facility Projects</b>		<b>Infrastructure Projects</b>	
Senior Centers	L	Water/Sewer Improvements	H
Handicapped Centers	L	Street Improvements	H
Homeless Facilities	L	Sidewalks	H
Youth Centers	M	Solid Waste Disposal	M
Child Care Centers	M	Stormwater/Flood Drain Improvements	M
Health Facilities	L	Other infrastructure needs:	L
Neighborhood Facilities	L	<b>Economic Development (ED)</b>	
Parks and/or Recreation Facilities	M	ED Assistance for For-Profit businesses	M
Parking Facilities	L	ED Technical Assistance for businesses	M
Historic Preservation (non-Hsg)	L	Micro-Enterprise Assistance	M
Other community facility needs:	L	Publicly- or Privately-Owned Commercial/Industrial Facility Rehab.	M
		Commercial/Industrial Infrastructure Development	H
<b>Public Service Needs</b>		Other Commercial/Industrial Improvements	M
Senior Services	M	<b>Planning</b>	
Handicapped Services	L	Community Strategic plans	M
Youth Services	M	Community Facility plans	M
Child Care Services	M	Water/Sewer plans	M
Transportation Services	M	Growth Management plans	M
Substance Abuse Services	M	Historic Preservation plans	L
Employment Training	M	Environmental Reviews	L
Health Services	M	Income Survey	L
Lead Hazard Screening	L	Other infrastructure plans:	L
Crime Awareness	L	Other planning:	L
Other public service needs:	L		

### Socio-Economic Vitality Index

The Socio-Economic Vitality Index was created as part of the Inland Northwest Economic Adjustment Strategy as the primary tool by which socio-economic conditions by county can be assessed and monitored. The indicators used for the county assessment include:

#### Composite Indicators

- Population Change (annual percentage change 1990-02)
- Net Income Difference between In-migrants and Out-migrants (2002)
- Per Capita Income (2001)
- Change in Per Capita Income (2000-01)
- Public Assistance (as percent of total income – 2001)
- 24-Month Unemployment Rate (2002-03)
- Labor Force Participation Rate (population age 16+ as a percent of total labor force – 2002)
- Employment Change (annual percentage change 1990-2001)
- Output per Job (total output divided by total jobs – 2000)
- Assessed Value per Capita (2002)

## Part III

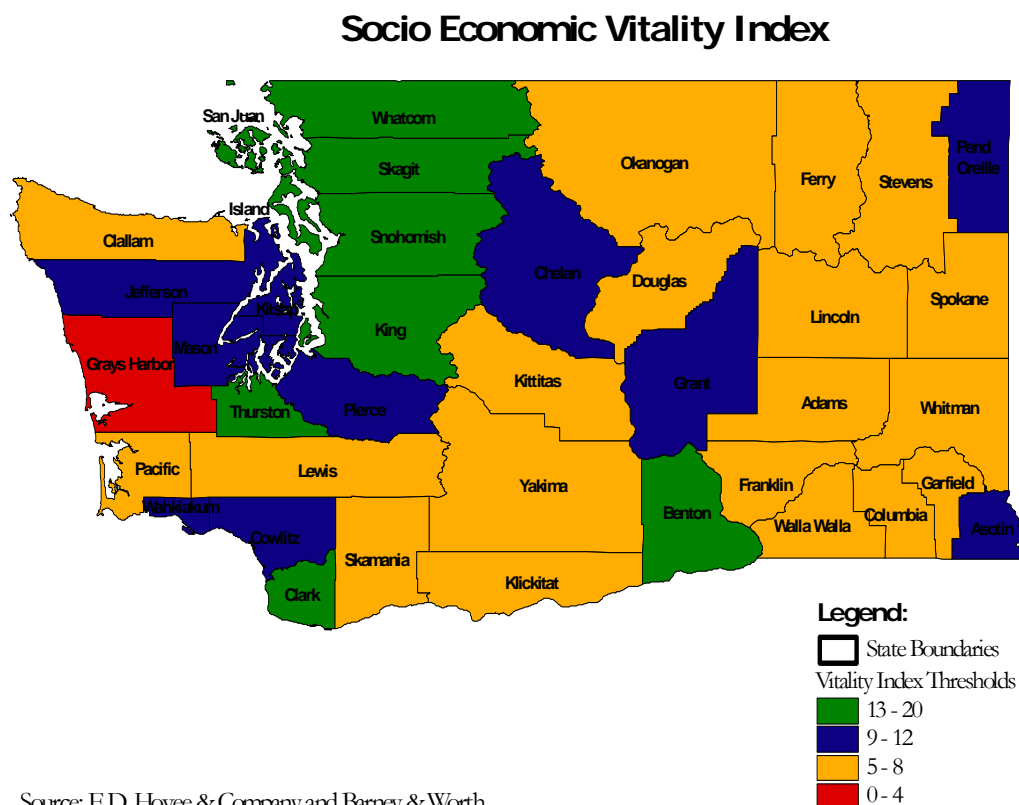
### State Profile and Needs Assessment

#### Descriptive Indicators

- Change in Proportion of Population Age 0-17 (1990-02)
- Change in Proportion of Population Age 65+ (1990-02)
- Natural Resource Employment as Percent of Total Employment (2000)
- Wage & Salary Income as a Percent of Total Income (2001)
- Self-Employment Income as a Percent of Total Income (2001)
- Value-Added as a Percent of Total Output (2000)
- Proportion of Output Exported (2000)
- Annual Percent Change in Animal Unit Months (AUM) (1990-2002)

Based on these indicators, the following map shows the current socio-economic standing of each county.

**Map III-20: Socio Economic Vitality Index**



Source: E.D. Hovee & Company and Barney & Worth.

Based on these indicators, Grays Harbor County received the Low Vitality (red) score and the majority of other CDBG non-entitlement counties, eighteen, received a Medium-Low Vitality (yellow) score. Seven CDBG non-entitlement counties received a Medium-High Vitality (blue) score, while six non-entitlement counties received the High Vitality (green) score. On average, rural counties received a Medium-Low Vitality score and urban counties received a Medium-High Vitality score. For more information regarding the Regional Socio-Economic Vitality Index, contact CTED Economic Development Division/Project Management Services.

### Infrastructure Needs

The state of Washington has an extensive unmet need for infrastructure, particularly in the more rural areas. The fragmentation of public financing available for these improvements has exacerbated the situation, making it difficult to fund even serious unmet needs for basic community infrastructure in some locations. The lack of adequate infrastructure impacts both the ability to attract and retain businesses and employment, as well as, in some cases, the ability to support new affordable housing development.

The most recent *Local Government Infrastructure Study*, directed by the Public Works Board, in consultation with CTED, assessed local government infrastructure needs anticipated from 1998 through 2003, and the sources and amounts available to fund improvements. Source data included local government capital facilities plans; interviews with finance, planning, and public works personnel; and focus groups with local government planning and funding officials. Infrastructure categories analyzed included roads, bridges, domestic water systems, sanitary sewer systems, and storm water systems. In summary, the study found the following funding needs:

**Table III-21: Summary of Infrastructure Funding Needs**

	Roads	Bridges	Domestic Water	Sanitary Sewer	Storm Water	TOTAL
<b>Funding Needs</b>	\$3.70 B	\$0.39 B	\$1.68 B	\$1.82 B	\$0.57 B	\$8.16 B
<b>Funding Available</b>	\$2.15 B	\$0.25 B	\$1.10 B	\$1.34 B	\$0.27 B	\$5.11 B
<b>Funding Gap</b>	\$1.55 B	\$0.14 B	\$0.58 B	\$0.48 B	\$0.30 B	\$3.05 B
<b>% Gap</b>	41%	35%	35%	26%	52%	38%

As highlighted by these figures, critical basic infrastructure needs that would support community development and job attraction/retention, such as domestic water and sanitary sewer improvements, are projected by the study to be sorely under funded in the next few years. The study further found that these figures are likely under-representative of the actual funding needs and gaps, as many jurisdictions did not include other capital improvement projects which are needed but for which no funding is available or expected during the planning horizon.

More current data on infrastructure needs specifically listed in local Capital Facility Plans is currently being collected and summarized by the Public Works Board and the Infrastructure Assistance Coordinating Council through the Local Government Infrastructure Tracking System. Preliminary results reinforce the high need for infrastructure grant funding. Local Capital Facility Plans prioritize public and community facility needs and list the anticipated resources for meeting the cost of these needs. With just over half of the state CDBG eligible local governments submitting information from their plans into the tracking system so far, over \$18 million in state CDBG General Purpose Grants is reported to be needed in the next year.

There is a link between lack of infrastructure and the ability to provide for both community development and affordable housing production, particularly in more remote rural areas. For example, lack of sewage treatment capacity or non-compliant water systems may limit the ability of communities to produce new affordable housing developments. In turn, lack of sufficient housing (either market rate or affordable) may limit the ability of communities to attract employers.

#### WA-CERT Priority Needs

The *Washington Community Economic Revitalization Team (WA-CERT)* was created to respond to locally defined needs with a system that is flexible and innovative. WA-CERT is an information clearinghouse, not a funding source. It serves the 31 rural counties of the state and the tribal governments located therein. WA-CERT lists are published by each of the 31 participating counties, and summarize local community and economic development project priorities. These project priorities help guide technical and financial assistance investment decisions of federal and state agency partners in the WA-CERT system. A project must be listed as one of the top three unfunded prioritized projects by a county in order to apply for a state CDBG Community Investment Grant. The type of project prioritized as one of the top three for July 2004 is summarized in the following table:

**Table III-22: WA-CERT 2004 Priority Projects**

Major Type of Project	Percentage
Community Facility Projects	23%
(Neighborhood Facilities)	(7%)
Public Service Needs	0%
Infrastructure Projects	45%
(Sewer/Water)	(29)%
Economic Development Activities	26%
(Commercial/Industrial Facility Rehabilitation)	(12%)
Planning Needs	6%
(Sewer/Water Plans)	(6%)

While these project priorities are updated as often as quarterly by county and tribal governments, this point-in-time summary affirms the local governments' high prioritization of community facility, infrastructure and economic development projects. County priority lists are available on CTED's website at [www.cted.wa.gov](http://www.cted.wa.gov).

#### Public Service Needs

Local Community Action Agencies (CAAs) are required to conduct Community Assessments at least once every three years and to respond to the specific needs of its regional service area. The Community Assessments from the 15 CAAs serving CDBG non-entitlement areas were compiled and reviewed. Of the 15 CAAs, 12 considered employment opportunity and affordable housing to be the highest priorities. The majority of agencies also listed health services, energy assistance and employment training as high public service needs. Based on input received from CAAs during consultation for this Consolidated Plan Needs Assessment, not only are there these priority public service needs; there is also the need for flexible funding to both provide direct services and fund the administrative costs for implementing these services.

#### Employment Training/Placement: WorkFirst Program

Temporary Assistance for Needy Families (TANF) is the federal program that replaced the Aid to Dependent Children program under 1996 federal welfare reform legislation. TANF provides block grants to states that provide assistance and work programs for needy families. In order to implement federal welfare reform legislation, Washington created WorkFirst, a welfare reform program that helps people in low-income families find jobs, keep their jobs, find better jobs and become self-sufficient.

In effect since late 1997, WorkFirst has been designed to move families on welfare into employment as quickly as possible through upfront job search, work experience activities and short-term education and

training. Four state agencies jointly carry out the program: Department of Social and Health Services; Employment Security Department; State Board of Community and Technical Colleges; and Office of Community Development. In addition, local employers, tribal governments, Private Industry Councils, transportation entities and community-based, nonprofit organizations are key partners in providing services to WorkFirst participants.

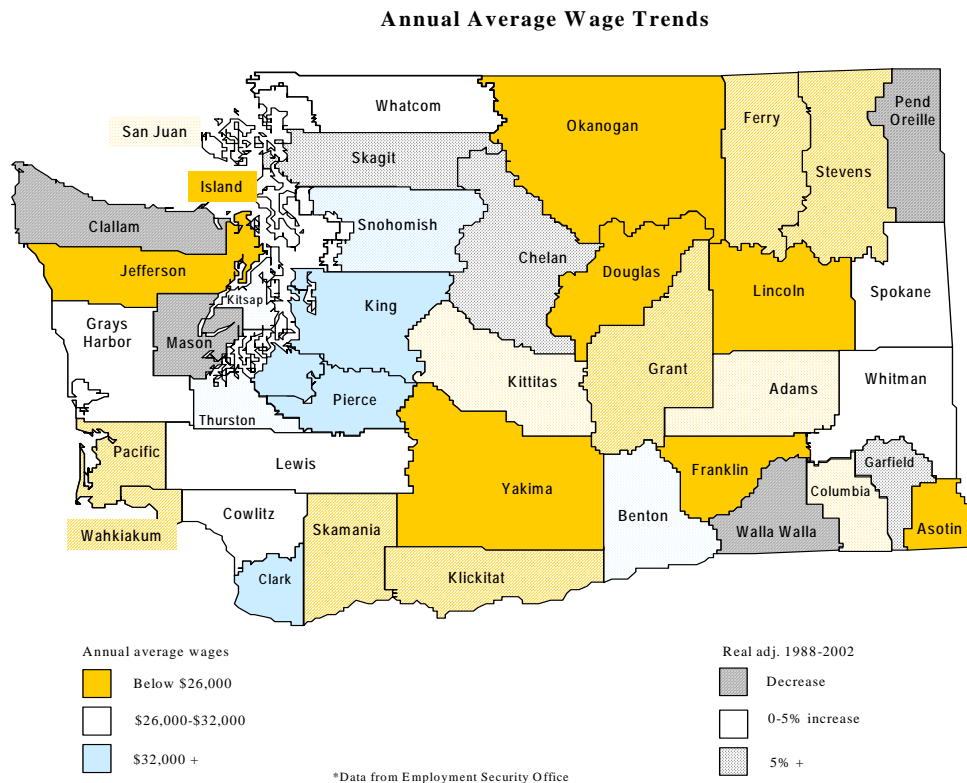
#### **Economic Development Needs**

CTED's Economic Development Division reviewed the state's economic trends and established a Business Plan for 2005-2007. In 2004, the state is beginning to overcome a recession that demonstrated the health of Washington's economy is tenuous. Recovery of the state's basic industries has been slower than the nation as a whole. Washington's rural areas are experiencing a slow upward trend, while the Puget Sound region continues to feel negative impacts of global competition and slowdowns in technology and aerospace sectors.

Peculiar to Washington's sales tax system, state and local governments are least able to respond during economic downturns because funding for current service delivery is severely limited. Health and safety caseload services take priority. Lacking resources to stimulate economic investment, economic downturns are deeper and last longer in Washington. This, and a fiercely competitive national and international marketplace for businesses and jobs made state and local efforts to grow target industries more difficult and more essential than ever before.

In reviewing the state's economic development needs, CTED realizes it must align its diminished resources to enhance the performance outcomes of many partners in other governmental, non-profit and private sector organizations that contribute to the state's economic viability. Recent studies and customer survey's indicate a shift is also needed to rebuild trust with customers and perform a positive leadership role. Additionally, CTED must find a balance between state business targets and local priority industry targets.

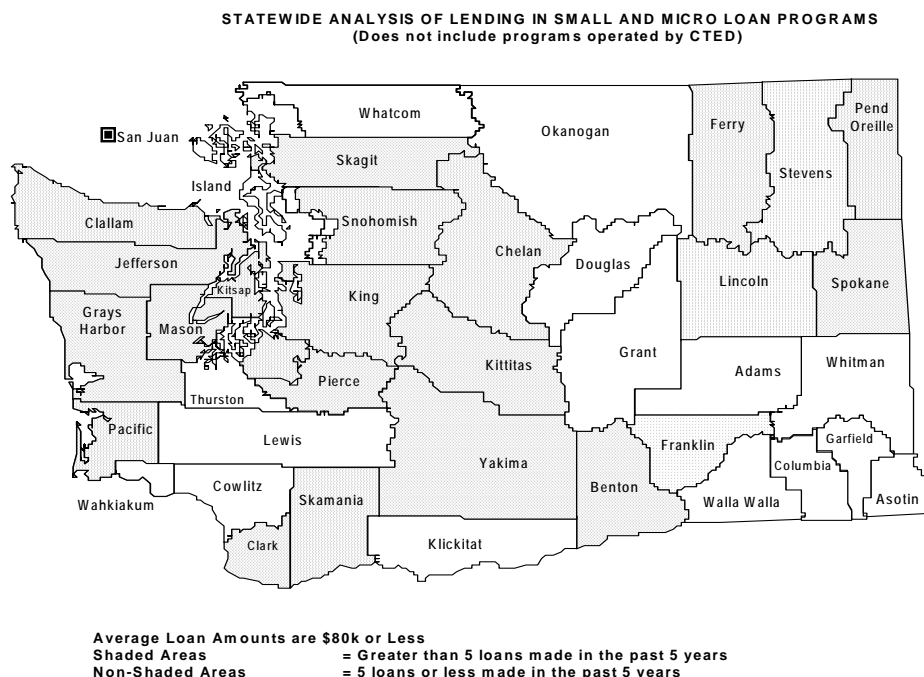
### Map III-23: Annual Average Wage Trends



A strong interest in building economic bases with higher wage jobs, particularly in more rural areas, has led to an emphasis on assisting businesses with micro-lending (to enhance start-up and small expansions), as well as more traditional economic development lending to attract new employers. Small and medium sized businesses, especially in rural Washington, find it difficult to get the necessary financing to start-up, expand, and stay in business. This problem is especially true in certain industry sectors, most notably in the forest products and other natural resource-based/dependent companies that form much of the basis of rural Washington economy.

Over the past two years, CTED's Business Finance Unit has conducted surveys of local revolving funds in Washington to ascertain whether these funds are adequately capitalized to continue lending and to identify gaps in lending activity and loan accessibility. The following map summarizes the activity of small and micro-loan programs throughout the state.

### Map III - 24: Small and Micro Loan Lending by County



In assessing economic development needs, some communities indicated the need to improve their roads, sewer/water systems and telecommunications infrastructure to support new industry.

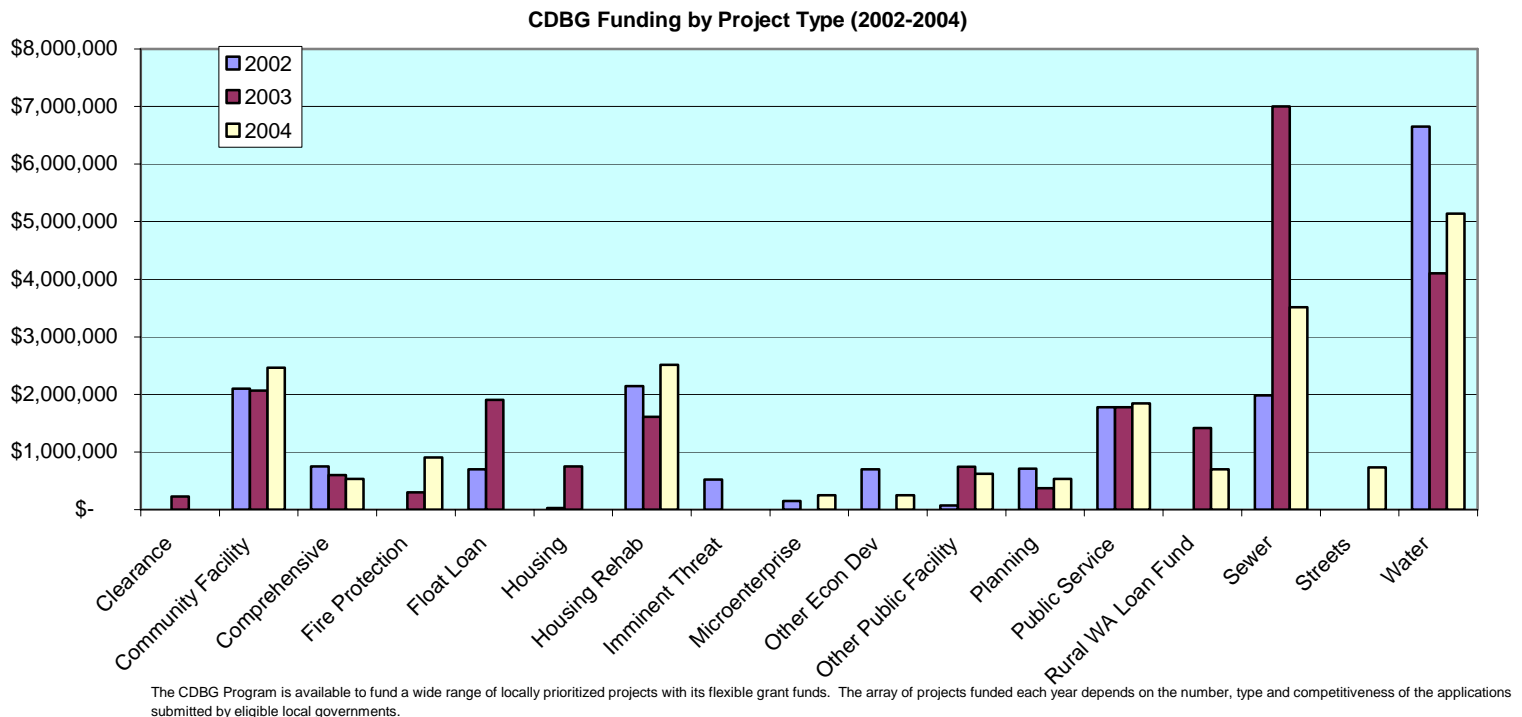
### Review of CDBG Funding by Project Type

The CDBG Program seeks to be responsive to the community development needs prioritized in the local governments' applications for grant assistance. A review of the type of projects prioritized by local governments demonstrates the CDBG Program's important role in providing flexible funding for the wide variety of community development needs.

The following tables show the types of projects funded from 2002 – 2004. While the tables demonstrate that the majority of state CDBG funds over the 3 past years were allocated towards infrastructure projects, a review of each year's funded projects reflects how the actual type of project prioritized by the local governments changes from year to year.



**Chart III-25: CDBG Funding by Project Type (2002-2004)**

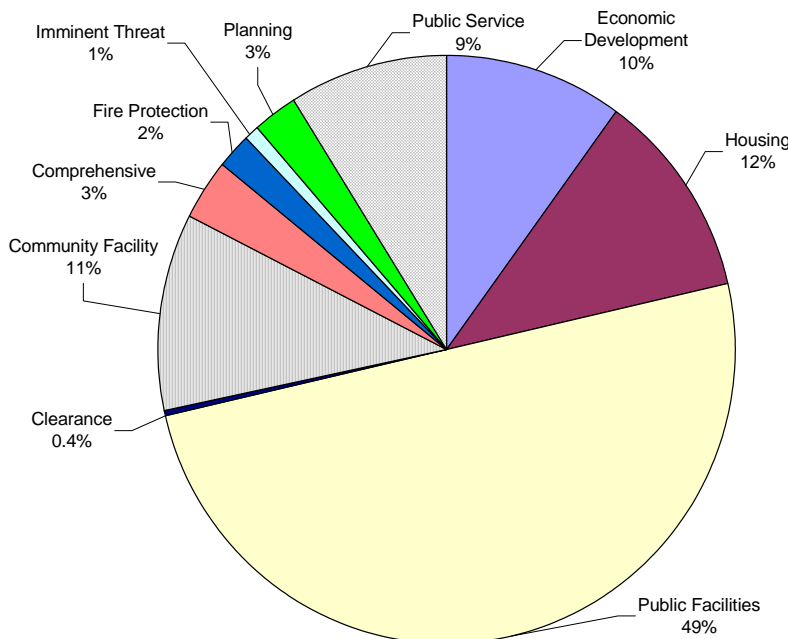


A review of why local governments most frequently prioritize these infrastructure projects for CDBG funding found these primary reasons:

- Adequate infrastructure is fundamental to the success of local economic development and affordable housing development strategies.
- Infrastructure projects often address urgent public health and safety issues and meet regulatory compliance responsibilities.
- Infrastructure projects typically involve expensive engineering and construction that requires grant gap funding along with loan financing to ensure affordable rates.

When the project types are grouped by major categories, the recent distribution of funds can be viewed proportionately in the following pie chart.

**Chart III-26: CDBG Funding (2002-2004) by Project Category**



### Other State CDBG Programs

Each state has the option of administrating its own state CDBG Program and then establishing its own methods of distributing the funds to eligible local governments within HUD requirements. This Needs Assessment included a review of other state CDBG Programs to compare the general distribution of funds by project activity. Below is a summary of the other state's funding in major categories compared to the general distribution in Washington State.

**Table III-27: CDBG Funding in Other States**

Project Activity	Other States	Washington State
Planning	2%	3%
Economic Development	15%	10%
Housing	15%	12%
Community Facilities	7%	11%
Public Facilities	48%	49%
Fire Protection	2%	2%
Public Services	1%	9%
General Administration	7%	3% (and included above)
Acquisition and Other Activities (less than 1%)	3%	1% (and included above)
	100%	100%

These data are for general comparison only, since the national data were collected on a different, yet similar, basis to the Washington State data. Also, these percentages are nationwide and do not provide a regional comparison, where needs may be more similar. To review other state funding, go to HUD's website at

<http://www.hud.gov/offices/cpd/communitydevelopment/budget/disbursementreports/index.cfm>.

#### Allocation Among CDBG Funds

To ensure access to CDBG funds, the state CDBG Program has established 7 grant funds within the overall program, each with a different method of distribution and type of project focus. The Action Plan section of this Consolidated Plan provides more detail on each of these funds.

To determine the appropriate allocation among funds, a review of the recent use of each fund was conducted. The following table shows the relative use and general demand for each fund.

**Table III - 28: Summary of Funds Allocated and Number of Projects 2001 - 2004**

CDBG Program Fund	2001 Funds Obligated (Including Contingency)	2001 Number of Projects	2002 Funds Obligated (Including Contingency)	2002 Number of Projects	2003 Funds Obligated (Including Contingency)	2003 Number of Projects	2004 Funds Obligated (Including Contingency)	2004 Number of Projects
Community Investment Fund	\$2,960,213	10	\$7,105,193	11	\$7,315,000	9	\$5,480,200	13
General Purpose Grant	\$8,632,417	18	\$7,168,556	12	\$7,955,553	15	\$9,578,115	18
Housing Enhancement Grant	\$479,973	2	\$97,850	2	\$742,340	2	\$206,578	3
Housing Rehabilitation Grant	N/A	N/A	N/A	N/A	N/A	N/A	\$2,517,210	6
Imminent Threat Grant	\$847,918	2	\$572,959	2	N/A	N/A	\$46,612	1
Planning-Only Grant	\$236,731	10	\$693,423	31	\$370,500	18	\$610,000	25
Public Service Grant	\$1,775,000	15	\$1,775,000	15	\$1,775,000	15	\$1,845,850	15
<b>TOTAL GRANTS</b>	<b>\$14,932,252</b>	<b>57</b>	<b>\$17,412,981</b>	<b>73</b>	<b>\$18,158,393</b>	<b>59</b>	<b>\$20,284,565</b>	<b>81</b>

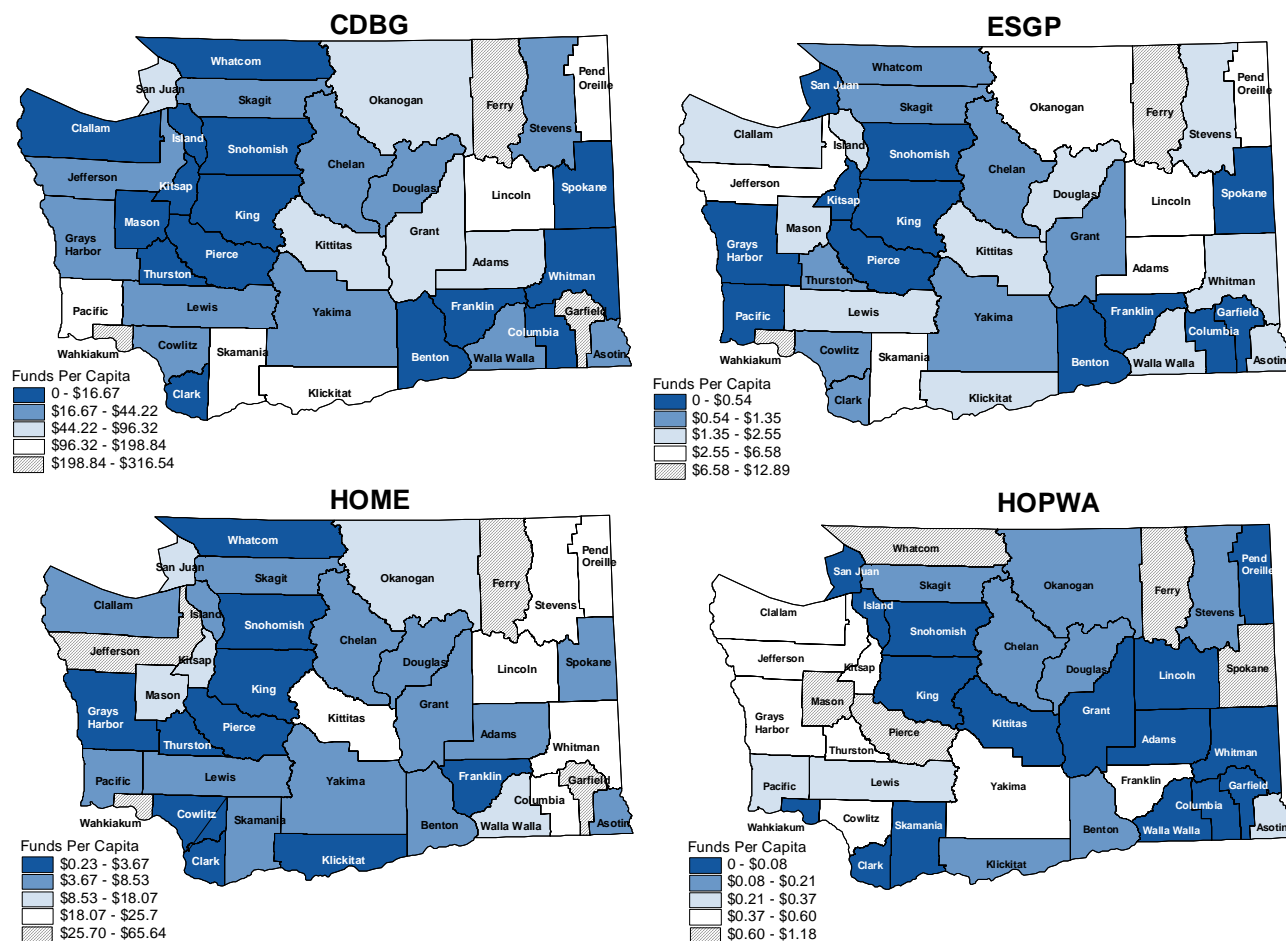
### Inter- and Intra-Agency Consultation

Federal, state and non-profit agencies and tribes were consulted to gather input on priority housing and community development needs in Washington State. These included:

- Association of Washington Cities
- Association of Washington Housing Authorities
- Washington State Association of Counties
- Habitat for Humanity
- Infrastructure Assistance Coordinating Council
- Northwest Justice Project
- Washington State Coalition for the Homeless
- Washington State Community Action Partnership
- Washington Economic Development Association
- Washington State Department of Community, Trade and Economic Development (CTED):
  - Community Services Division
  - Economic Development Division
  - Local Government Division
    - Office of Archaeology and Historic Preservation
    - Community Development Programs Unit
      - Community Development Block Grant Program
    - Growth Management Unit
  - Washington State Public Works Board
- Housing Services Division
  - Resource Allocation Unit
  - Contract Compliance and Asset Management Unit
  - Housing Assistance Unit
  - Housing Improvements and Preservation Unit
    - Lead-Based Paint Program
  - Policy Advisory Team
  - Washington State Affordable Housing Advisory Board
  - State Advisory Council on Homelessness
- Resource Team
  - Washington Community – Economic Revitalization Team (WA-CERT)
- Washington State Department of Corrections
- Washington State Department of Ecology
- Washington State Department of Health
- Washington State Department of Social and Health Services
- Washington State Department of Transportation
- US Department of Agriculture / Forest Service
- US Department of Agriculture / Rural Development
- Yakama Nation
- Colville Confederated Tribes
- Tulalip Tribes

### Geographic Distribution of HUD Funds Received by CTED by Program Per Capita 2002-2004

Map III-29: Geographic Distribution of HUD Funds Received by CTED by Program Per Capita 2002-2004



### Map Notes:

#### CDBG

State CDBG eligible or *non-entitlement* cities and towns are those with less than 50,000 populations or counties with less than 200,000 populations provided the cities, towns, and counties do not participate as members of HUD Urban County Consortia. The *entitlement* jurisdictions receive CDBG funds directly from HUD. This map does not show the amount of CDBG funds received by the entitlement cities or counties, but only shows the geographic distribution of state CDBG funds.

#### ESG

Counties showing lesser amounts per capita may be counties that receive their funding directly from HUD or small counties that have a lesser need for ESG funding or have declined to apply for ESG funding, such as Pacific County. The counties receiving their funding directly from HUD are King and Pierce.

#### **HOPWA**

Counties showing lesser amounts per capita may be counties that receive their funding directly from HUD or small counties that have not expressed a need for HOPWA funding. The counties receiving their funding directly are from HUD are King, Island, Clark and Snohomish. Skamania County is served by Portland EMSA.

#### **HOME**

Counties showing lesser amounts per capita may be counties that receive their funding directly from HUD. Tenant Based Rental Assistance and Housing Repair and Rehabilitation funds are targeted to households in areas of the state not served by local HOME participating jurisdictions. The development program for rental housing awards funds statewide.